SEC no-action letter

Institutional investors' underwriter status in large buys is clarified

By Joel Chernoff

WASHINGTON — Institutional investors will not be considered underwriters if they buy large percentages of public issues and the purchases are made in the ordinary course of business, the Securities and Exchange Commission has formally announced.

The no-action letter, written in response to a query from the American Council of Life Insurance, Washington, is the SEC's first formal statement of the policy. However the commission had been orally stating this position "for years," according to Lee Spencer, director of the SEC's division of corporation finance.

In the letter, the SEC states that institutional investors buying a "large percentage" of a registered offering will not be considered underwriters as long as the purchase is made in the ordinary course of business and the buyer has made no prior arrangements with others to distribute the securities later.

The clarification should remove any clouds hanging over the ability of companies to sell their debt and equity securities directly to institutional buyers. A number of institutional investors have purchased significant chunks of issues directly, based on the SEC's informal statements. But others in the financial community sought further clarification.

The no-action letter applies to all issues, but questions concerning direct purchases received greater attention as a result of the SEC's Rule 415, commonly known as shelf registration, which was introduced last year.

The rule, in effect for a trial period, allows companies to register under a single statement the amount of securities it anticipates selling during the next two years. Offerings can then be made when the issuer perceives a market readi-

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Consultant directory

Pensions & Investment Age has mailed out questionnaires for its directory of investment management consultants, which will appear in the Aug. 22 issue.

Any investment management consulting firm that has not yet received a questionnaire and wishes to be included in the directory should call **Michael Clowes**, editor, at **(212) 210-0121**.

Deadline: July 11, 1983

Late news

Continued from page 1

pension consulting arm, are seeking government approval to terminate their pension funds and recapture the excess assets.

Pension Benefit Guaranty Corp. officials said they have sent a notice of sufficiency to Butcher & Singer Inc. in Philadelphia, an investment banking firm that has a fiduciary consulting group in Pittsburgh. Butcher & Singer is seeking a $3.5 million reversion from its $5.6 million plan, which means it has liabilities for accrued benefits of $2.1 million.

Butcher & Singer is seeking a retroactive termination date of Feb. 28, and plans to distribute the assets in September.

United Foods, Bells, Tenn., also is seeking a termination and reversion to the company of $5.3 million of its $8.8 million fund.

B.M. Ennis, senior vice president of United Foods, would not comment on the proposed termination, which would be retroactive to Feb. 25. United Foods apparently is coupling the termination with a restructuring of its benefits program.

ILGWU hires adviser

NEW YORK — The International Ladies Garment Workers Union has hired Bernstein-Macaulay Inc. to run a $40 million fixed-income portfolio for its $116 million death benefit fund. Bernstein-Macaulay reportedly replaces Bank of New York as manager of the bond portfolio. The Blue Book of Pension Funds reports the union's retirement funds total $393 million; the union refuses to comment.

Option plan approved

JEFFERSON CITY, Mo. — The board for the $230 million Missouri Local Government Employees Retirement System has approved the use of bond options on a $15 million bond portfolio, according to William Schwartz, executive secretary. The fund's existing stock-options manager, Loomis, Sayles & Co., will manage the covered bond-call writing program starting July 1, to protect the portfolio when interest rates rise, Mr. Schwartz said.

Equitable appoints

NEW YORK — Leo M. Walsh Jr. has been named chief investment officer of The Equitable Life Assurance Society of the United States, New York. Additionally, Mr. Walsh was elected to Equitable's board of directors. He was previously executive vice president. He will be responsible for managing Equitable's $48.8 billion portfolio.

Fund hires for realty

HERSHEY, Pa. — The Hershey Foods Corp. pension plan has hired its first equity real estate managers by placing $3.5 million each with First National Bank of Chicago's Fund F, an open-end fund, and the JMB Group Trust II, a closed-end fund run by JMB Institutional Realty. Hershey's $7 million total commitment, 5% of its $140 million plan, was accumulated out of cash flow during early 1983.

$1.3 billion committed

STAMFORD, Conn. — U.S. pension funds committed $1.3 billion in new funds to overseas markets from Jan. 1 to May 31 and are expected to commit $3.2 billion by year-end, InterSec Research said.

The Stamford-based international consultant estimates U.S. pension assets invested overseas as of May 31 totaled $9.1 billion. They are expected to total $11 billion by year-end, a 60% increase from year-end 1982.

Blair to join firm

PHILADELPHIA — James T. Blair, senior vice president and director of client services at Delaware Investment Advisers, Philadelphia, will join Financial Selected Services Inc., Santa Barbara, Calif., a research and education firm, as program director. He will be replaced at Delaware Investment by Winthrop S. Jessup, vice president for client services.

Alaska will select 3

JUNEAU, Alaska — Alaska's $4 billion Permanent Fund will select three equity managers to invest $150 million by July 22, according to David Rose, executive director.

The nine finalists are Lehman Management Co.; Capital Guardian Trust; Batterymarch Financial Management; Miller, Anderson Sherrerd; Citicorp Investment Management; Putnam Advisory; Rosenberg Capital Management; Alliance Capital Management; and Eaton & Howard, Vance Sanders.

Equitable selected

NEW YORK — The Equitable Life Assurance Society has signed Allendale Mutual Insurance Co. as a corporate cash management client. Allendale Mutual will receive the cash management services through Equitable's offices in New York, Chicago, Atlanta and San Francisco.

Edward Madden: Leaving Chase to join Fidelity Management Trust.

Madden resigns from Chase

By Ivy Schmerken

NEW YORK — Edward E. Madden resigned as senior vice president of Chase Manhattan Bank's $90 billion pension trust financial services division to join Fidelity Management Trust Co. in Boston in July.

Mr. Madden will become executive vice president for marketing and client services at Fidelity's $800 million pension management arm. He will work with J. Gary Burkhead, president of the trust company since March. Mr. Burkhead formerly was head of Equitable Life Assurance Society's $27 billion pension operations.

Mr. Madden's successor at Chase is R. Reuel Stanley, 45, a vice president and corporate trust division executive. Mr. Madden hired Mr. Stanley 4½ years ago. They knew each other at IBM Corp. where Mr. Stanley spent 16 years in marketing. He joined Chase in 1979 serving in the master trust and corporate trust areas of the bank.

"He's eminently qualified," Mr. Madden said of his successor. "He knows all the people. He knows the clients. To me, he's an ideal choice."

A. Edward Allinson, Chase executive vice president and sector executive in charge of institutional trust, investment and information services, said: "Ed Madden has made a significant contribution during his five years at the bank and his many friends at Chase wish him the very best."

Mr. Madden joined Chase in 1978 from IBM where he spent 17 years in its marketing division servicing the brokerage and banking industries.

During his last four years at Chase, Mr. Madden has guided the master trust operation more in a financial services direction.

Under his leadership, Chase master trust assets increased from $6 billion in 1978 to $82 billion at the end of 1982.

At Fidelity, Mr. Madden will bring marketing expertise to Mr. Burkhead's investment background.

Mr. Burkhead ran pension and corporate investments at Equitable, and previously was director of research for Smith Barney Harris Upham & Co.

Mr. Madden said Fidelity was a unique opportunity and the people there were supportive.

"I look forward to working in partnership with Gary and the people at Fidelity to develop the trust company's client marketing services and to help build upon Fidelity's base in the pension business," he said.

Mr. Madden noted total assets managed by Fidelity Management & Trust Co. had grown to $800 million from $500 million since the start of the year. ■

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Clayton cites cases

Fund use in takeovers called social investing

By Ivy Schmerken

NEW YORK — Misusing pension plan assets to fight off a takeover during a tender offer is a form of corporate social investing, according to Jeffrey N. Clayton, administrator of pension and welfare benefit programs for the Labor Department.

"The purist will say what we call corporate social investing is not social investing, but I think it is," he said. Social investing is not just below-market investing by unions to create jobs or refusing to invest in companies that do business in South Africa, he said.

Mr. Clayton spoke on the misuse of plan assets for corporate purposes during takeover attempts at a conference June 16 on legal issues in pension investment sponsored by the Practising Law Institute in New York.

Mr. Clayton cited cases involving the Grumman Corp. and Texas businessman Harold Simmons as examples.

The Labor Department sued certain Grumman officials after they refused to tender to LTV Corp. company stock in employee benefit plans for which they were trustees, and after they directed the plans to

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Pensions & Investment Age **Focus** | **Master trust banks**

Top 20 master trustees

Public pension funds fuel $73 billion growth

By Linda Savage Ruhe

CHICAGO — Public fund movement to master custodians helped boost the assets of the top 20 master trustees by almost $73 billion from July 1982 through May 1983, a 22.7% gain.

Many of the banks that pulled themselves up in the rankings are those that can boast of sizable increases in their master custodian assets.

State Street Bank & Trust Co., Boston, for example, increased its master custodian assets by $10.5 billion and moved up one notch in the rankings, to second place. Citibank, New York, moved into fourth place from fifth with new master custodian accounts of $12 billion.

Other banks bringing on sizable master custodian assets included Irving Trust Co., New York, and National Bank of Detroit.

"We had a number of master custodial accounts that we had been working on for more than a year that finally came through," said Bill Gundy, vice president and division head at State Street.

Daniel J. Lenckos, head of the master trust division at First National Bank of Chicago, said, "Public funds have been a little late getting into the mode, but they are there now."

There has been quite a growth in master custodian assets in general, and public funds are much more interested in improving the way their funds are operated, such as using a central depository, improving fail float and getting better performance data, according to James T. McManus, second vice president at National Bank of Detroit.

Profiles of master trustee banks start on the next page; profiles of Canadian-based trustee banks start on page 26

The banks also recorded sizable increases in master trust assets, which had been the prime target for new business in the past. But Mr. McManus noted that what is going on in corporate finance is starting to spill over into the public arena.

Master custodian relationships typically provide all of the services of a master trustee relationship except for offering legal trusteeship; this is because many states are governed by pension codes that put the fiduciary reponsibility for the state funds in the hands of a public official like the state treasurer.

The information for the rankings was supplied through questionnaires sent out by *Pensions & Investment Age* to 45 banks. The statistics indicate the top 20 master trust/custodian banks had master trust assets totaling $296 billion and master custodial assets adding up to $97.9 billion. This was a 30% increase from last July's master trust total assets of $227.7 billion and a 14.3% increase from last year's master custodian assets of $85.7 billion.

Although last year's chart included Crocker National Bank, Los Angeles, and its $7.7 billion total master trust/custodian assets, the bank did not have information on the breakdown of that figure.

Despite some jockeying for position, the top five banks last year remained the top five based on total master trust/custodian assets.

Chase Manhattan Bank, New York, remained at the top, with $75 billion in total assets: $55 billion in

Continued on page 28

Services, not assets, called mark of trustee

Banks agree it is commitment that counts in the end

By Linda Savage Ruhe

CHICAGO — Both the leaders in the master trust business and the small regional banks agree it is not the size of the master trust/custodian assets a bank has on the books that makes it a true master trustee, but rather its commitment to offering a full range of services.

Of the 45 banks returning questionnaires for a *Pensions & Investment Age* study, less than half have master trust/custodian assets of more than $5 billion.

While many of the banks agreed it would be hard to offer a good master trust/custodian product with less than $5 billion in assets, they also believed these banks should not be discounted quickly as competition in the field.

James T. McManus, second vice president at National Bank of Detroit, said, "If you have under $5 billion but have a commitment, then you should be considered in the business. Everyone has to start somewhere."

National Bank of Detroit had $5.9 billion in master trust business last July, but this year reported a total of $10.2 billion, moving dramatically from 17th to 11th place in the rankings.

Some banks now calling themselves master trustees might find it difficult to continue doing so in the future with the features a bank has to have to compete, Mr. McManus added.

Thomas W. Kimen, senior vice president at Northern Trust Co., Chicago, suggested banks with less than $5 billion in master trustee/custodian assets probably will continue because they fill a niche in the market. Northern has $32.8 billion in master trust/custodian assets.

Some clients want a master trustee down the block, or for political or regional banking reasons and those kinds of banks fill that need, Mr. Kimen pointed out.

Sometimes, those banks come in with a low fee to attract business from the community because other banking services can be marketed to the client in addition to the master trust services. But because the price of staying in the master trustee business increases every year, that kind of strategy in the long run would make it difficult to keep a master trustee product on the cutting edge, he explained.

For instance, he pointed out, Northern recently put $2 million into developing an electronic delivery system so its clients would have access to their account information through a terminal in their offices.

Northern can afford to do that because it has room to spread the developmental costs over a larger base. He wondered if the banks with fewer assets and lower fees could do the same.

State Street Bank & Trust Co., Boston, with $43.2 billion in master trust/custodian assets, only occasionally loses an account while competing with smaller banks, according to Bill Gundy, vice president and division head. It loses when a client decides to hire a master trustee for reasons other than the services a bank has to offer, he said.

For instance, this occurs when the client has close ties and other banking relationships with the master trustee. There also are cases where the client might not have large portfolio requirements and therefore does not have the same demand for services.

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Master trust/master custodial banks

(All figures in $ millions)

	Total	Master trust	Master custodial
1. Chase Manhattan	75,000	55,000	20,000
2. State Street	43,200	26,700	16,500
3. Bankers Trust	41,500	40,000	1,500
4. Citibank	35,051	10,187	24,864
5. Northern Trust	32,808	31,148	1,660
6. Mellon Bank	23,242	22,999	243
7. Boston Safe	16,398	13,204	3,394
8. Harris Trust	15,696	15,696	0
9. Manufacturers Hanover	14,826	14,637	189
10. Irving Trust	12,000	3,900	8,100
11. National of Detroit	10,215	4,444	5,770
12. Bank of New York	10,117	3,412	6,705
13. RepublicBank Dallas	9,800	8,300	1,500
14. Wachovia Bank	8,276	8,111	165
15. Bank of America	8,000	8,000	0
Manufacturers Detroit	8,000	7,800	200
16. Continental Illinois	7,100	5,900	1,200
17. U.S. Trust	7,000	5,100	1,900
18. Wells Fargo	9,000	5,000	4,000
19. Wilmington Trust	6,601	6,501	100
20. First of Chicago	4,803	4,354	449
21. Citizens & Southern	3,450	450	3,000
22. Mercantile-Safe	2,441	1,310	1,131
23. Texas Commerce	2,291	967	1,324
24. AmeriTrust	2,065	1,865	200
25. First Wisconsin	1,949	1,270	679
26. First Trust Co.	1,310	1,275	35
27. M&I Bank	1,300	1,200	100
28. First Pennsylvania	1,250	1,000	250
29. Centerre Trust	885	743	142
30. Norwest Bank	792	792	0
31. Rainier National	770	0	770
32. Marine Midland	614	614	0
33. First City National	584	583	1
34. Bank of Oklahoma	348	71	277
35. First of Atlanta	320	320	0
36. Winters National	285	285	0
Total	*419,487*	*313,138*	*106,348*

Note: Crocker National Bank is not ranked because it could not break out its master trust, master custodial and other custodial assets. Its total is $7.5 billion.

Canadian master trust banks

	Assets ($ millions)
1. Royal Trust	4,800
2. Montreal Trust	2,320
3. National Trust	2,212
4. Canada Trust	1,510
5. Canada Permanent Trust Co.	1,000
6. Guaranty Trust Co. of Canada	603
7. International Trust Co.	733

Canadian master custody assets

Rank	Master custodian	Assets ($ millions)
1.	International Trust Co.	536
2.	Canada Permanent Trust Co.	100

Presented here is *Pensions & Investment Age's* directory of 45 master trust/custodian banks. The top twenty master trust/custodian banks had master trust assets totaling $296 billion and master custodial assets adding up to $97.9 billion.

The figures given were developed by the editors from questionnaires sent to the leading master trust banks and trust companies in the United States and Canada.

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U.S.-based firms

a

AmeriTrust Co.

900 Euclid Ave., Cleveland, Ohio 44101; (216) 687-5000

Master trust assets $1,865,000,000
Master custodial assets $200,000,000
Other 0

AmeriTrust has 20 master trust clients and two master custodial clients. There are seven account supervisors.

The size of the smallest master trust client is $3.4 million, while the size of the largest is $469 million.

The actual settlement date is used for accounting, but trade date accounting is available.

Basic master trust services include asset custody; settlement of security trades; reporting on asset values and transactions; plan allocation; automated cash management; securities lending; performance measurement; portfolio analysis; index fund; cash forecasting; and customized reporting.

Reports are delivered to clients five days after the end of the period.

Fees are based on market value of assets, the number of plans and the number of managers.

The client contact is James H. McInerney Jr., vice president, at (216) 687-2798.

b

Bankers Trust Co.

280 Park Ave., New York, N.Y. 10015; (212) 850-2082

Master trust assets $40,000,000,000
Master custodial assets $1,500,000,000
Other $21,100,000,000

Bankers Trust has 93 master trust clients and three master custodial clients. Account supervisors total 30.

The size of the smallest master trust client is $1 million; the largest is $7.7 billion.

The primary accounting method is trade date, on a full accrual basis, but settlement date accounting and other methods are available.

Basic master trust services include account establishment, adviser services, cash management and trust and plan accounting/reporting. Ancillary services that complement the basic master trust package also are offered.

The bank sends out cash transaction statements within three days after the end of the month. Security transaction statements and statements of holding are available within six to 10 days after the end of the period.

The fee menu includes: an accounting and reporting charge based on the number and type of investment portfolios; a per-transaction fee; and an overall administrative base fee. This base fee is applied as a basis point percentage calculation on the actively managed assets of the plan and varies according to the services each trust uses.

The client contact is Lynne Stewart Minard, vice president, head of new business development group.

Bank of America, Trust Department (#9032)

555 California St., 17th Floor, San Francisco, Calif. 94104; (415) 622-5238

Master trust assets $8,000,000,000
Master custodial assets 0
Other $23,000,000,000

Bank of America has 23 master trust clients. There are eight account supervisors.

The size of the smallest master trust client is $9 million; the largest is $1 billion.

Trade date accounting is used on registered securities and settlement date accounting on real estate and miscellaneous assets.

Basic master trust services include cash management, custody, pension disbursing, W2Ps, 1099Rs, ERISA data, cash and asset statements (monthly or quarterly and annually), income and redemption collection and monitoring of capital assets.

Monthly and quarterly reports to clients are delivered 10 business days after end of period; annual reports are delivered within 20 days.

Fees are based on a percentage of assets.

The client contact is Carole A. Swartz.

Bank of New York

48 Wall St., New York, N.Y. 10015; (212) 530-1784

Master trust assets $3,412,000,000
Master custodial assets $6,705,000,000
Other $4,600,000,000

Bank of New York has 44 master trust clients and six master custodial clients. There are four account supervisors. Union accounts are assigned to a separate Bank of New York administrator.

The size of the smallest master trust client is $1.8 million; the largest is $950 million.

Trade date and settlement date are used for accounting procedures.

Basic master trust services include: performance measurement; cash management; ERISA reporting; portfolio review; securities lending; global custody; benefit disbursement; on-line inquiry and option accounting.

Reports to clients are delivered within five days.

Fees are based on a percentage of market value.

The client contact is Richard R. Smith, vice president, (212) 530-1353.

Bank of Oklahoma

P.O. Box 2300, Tulsa, Okla. 74192; (918) 588-6443

Master trust assets $71,000,000
Master custodial assets $277,000,000
Other $281,000,000

Bank of Oklahoma has two master trust clients and two master custodial clients. There are three account supervisors.

The size of the smallest master trust client is $2.3 million; the largest is $68.4 million.

Trade date accounting, settlement date accounting and unitized and cash accounting are used.

Basic master trust services include dividends and interest credited on payable date, automated cash management, GICs, performance measurement, portfolio review and benefit disbursement.

Reports to clients are delivered

Continued on page 18

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Guaranty Trust
Guaranty Trust Company of Canada
Pension Services Department, 366 Bay Street, Toronto, Ontario, Canada M5H 2W5

Continued from page 16
five to 15 days after the end of period.

Fees are based on a combination of assets and the services provided.

The client contact is Phillip J. Owings, vice president and trust officer.

Boston Safe Deposit & Trust Co.

One Boston Place, Boston, Mass. 02106; (617) 722-7310

Master trust assets $13,204,000,000
Master custodial assets $3,394,000,000
Other $574,000,000

Boston Safe has 20 master trust clients and seven master custodial clients.

There are nine account supervisors at the firm.

The size of the smallest master trust client is $28 million; the largest is $3.2 billion.

Trade date is used for accounting.

Basic master trust services offered by the company include trade date accounting and reporting.

It also offers a short-term investment fund and dial-up access to daily accounting data.

Optional services at the Boston Safe Deposit & Trust include analytics, performance measurement, securities lending, benefit payment, participant accounting, on-line analytical time sharing and global custody.

Reports are delivered to clients eight days after the end of the period.

Fees are calculated on an individual basis dependent on the services required.

The client contact is Thomas J. Lucey, senior vice president, (617) 722-7512.

Centerre Trust Co. of St. Louis

510 Locust St., St. Louis, Mo. 63101; (314) 231-9300

Master trust assets $743,000,000
Master custodial assets $142,000,000
Other $594,000,000

Centerre Trust has seven master trust clients and two master custodial clients. There are two account supervisors.

The size of the smallest master trust client is $10 million; the largest is $275 million.

Trade date accounting and settlement date accounting are used.

Basic master trust services include automatic cash sweep, fail float credit, ERISA information, annual report, on-line inquiry system, performance measurement and evaluation, portfolio analytics, benefit payments, security lending and payment date credit for most income items.

Reports to clients are delivered five to seven days after end of period.

Fees are based on asset value and the number of manager and plan accounts over minimum. There are extra charges for ancillary services.

The client contact is D. Joseph Walton, (314) 436-9092.

The Chase Manhattan Bank

1211 Avenue of the Americas, 33rd Floor, New York, N.Y. 10036; (212) 730-3792

Master trust assets $55,000,000,000
Master custodial assets $20,000,000,000
Other $15,000,000,000

Chase Manhattan has 77 master trust clients and eight master custodial clients. There are 25 account supervisors.

The size of the smallest master trust client is $1 million; the largest is $9.5 billion.

Trade date and settlement date accounting are available.

Basic master trust services include custody, accounting, cash management, performance measurement, global custody and security lending.

Reports are delivered to clients within seven days after the end of period.

Fee calculations are based on account structure and transaction volume.

The client contact is Richard T. McSherry, vice president.

Citibank

One Citicorp Center, New York, N.Y. 10043; (212) 559-1523

Master trust assets $10,187,000,000
Master custodial assets $24,864,000,000
Other $1,839,000,000

Citibank has 90 master trust clients and 10 master custodial clients. There are 19 account supervisors.

The size of the smallest master trust client is $2 million; the largest is $12.5 billion.

Settlement date accounting and trade date accounting are used.

Basic master trust services include safekeeping and custody, cash management, trade date reporting, ERISA reports, equitable share accounting, performance measurement and analysis, TUCS comparisons, on-line flexible reporting, global custody, securities lending and participant recordkeeping.

Reports to clients are delivered three to five days after end of period. Next-day delivery is provided for on-line reports.

Fees are based on individual services.

The client contact is Jeffrey L. Maier, vice president.

The Citizens and Southern National Bank

33 North Ave., N.E., 10th Floor, P.O. Box 4114, Atlanta, Ga. 30302; (404) 581-3617

Master trust assets $450,000,000
Master custodial assets $3,000,000,000
Other $800,000,000

The Citizens and Southern National Bank has 15 master trust clients and 80 master custodial clients. There are six account supervisors.

The size of the smallest master trust client is $25 million; the largest is $100 million.

Trade date accounting and settlement date accounting are used.

Basic master trust services include performance measurement/risk analysis, participant recordkeeping, portfolio review, securities lending, assistance in ERISA reporting, benefit payment and five pooled investment funds.

Reports to clients are delivered five days after end of period.

Fees are based on market value of assets.

The client contacts are Edgar R. Smith, (404) 581-3617, and Richard Schweitzer, (404) 581-4018.

Continental Illinois National Bank & Trust Co. of Chicago

231 S. LaSalle St., Chicago, Ill. 60693; (312) 823-2345

Master trust assets $5,900,000,000
Master custodial assets $1,200,000,000
Other $40,000,000,000

Continental Illinois National Bank & Trust Co. has 30 master trust clients and seven master custodial clients. There are nine account supervisors.

The size of the smallest master trust client is $5 million; the largest is $1.3 billion.

Trade date and settlement date accounting are available.

Basic master trust services include consolidated accounting (plan and managers); performance measurement; dial-up access via Continental's remote information system; account relationship-manager; officer and administrative assistant are all assigned to an account on a full-time basis; automated cash management; and cash projections.

Reports to clients are delivered

Continued on page 20

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Secondly, the company's advanced systems capabilities insure timely and accurate reporting. They include FIRST, an on-line system for the reporting, processing and settlement of securities transactions. And IMPACT, a unique, on-line analytic service for measuring portfolio performance.

All this is backed up by solid experience. In fact, The Bank of New York is the nation's third largest bank in terms of trust revenues.

With this kind of unparalleled commitment, you could very well conclude that The Bank of New York may be the first bank to take Master Trust seriously.

For more information on Master Trust, contact Richard R. Smith, Vice President, 52 William Street, New York, N.Y. 10015. Telephone: (212) 530-1784.

THE BANK OF NEW YORK TRUST COMPANY

Continued from page 18
five to 10 days after end of period.

Fees primarily are asset based, with transaction charges in specific instances.

The client contact is Thomas H. Ransom, vice president, (312) 828-7537.

Crocker National Bank

333 S. Grand Ave., Suite 640, Los Angeles, Calif., 90071; (213) 253-3212

Master trust assets	$7,500,000,000
Master custodial assets	N/A*
Other	N/A*

*Included in master trust total

Crocker National Bank was unable to break out its master custodial and other custodial accounts from its master trust figure.

It reports 162 master trust and master custodial clients. There are nine account supervisors.

The size of the smallest master trust client is $2.5 million; while the largest is $1.1 billion.

Trade date and settlement date accounting are used. Cash, modified cash and full accrual also are available.

Basic master trust services include account management, security settlement, cash management, income on payable date, account reports, IRS form 550 preparation, securities lending, plan administration, asset allocation and performance measurement.

Reports to clients are delivered 10 business days after end of period. Fees are a combination of a flat fee, a percentage of the market value of assets held, individual transactions and special service charges.

The client contact in Los Angeles is Lester Wood, vice president; in San Francisco, the client contact is William Sumner, vice president, (415) 477-5832.

f

First City National Bank of Houston

809 Fannin, Houston, Texas 77001; (713) 658-6705

Master trust assets	$583,000,000
Master custodial assets	$1,000,000
Other	$702,000,000

First City National Bank of Houston has five master trust clients and one master custodial client. There are nine account supervisors.

The size of the smallest master trust client is $40 million; the largest is $88 million.

Trade date accounting is employed.

Basic master trust services include cash management, assistance in government reporting, asset custody and standard reporting.

Reports to clients are delivered 10 days after end of period.

Fees are based on amount of assets.

The client contact is Terry Lambert, vice president.

First National Bank of Atlanta

P.O. Box 4148, Atlanta, Ga., 30302; (404) 588-5657

Master trust assets	$260,000,000
Master custodial assets	0
Other	0

First National Bank of Atlanta has two master trust clients. There are three account supervisors.

The size of the smallest master trust client is $60 million; the largest is $200 million.

Trade date is used for accounting procedures. Other methods of accounting are available as specified by the client.

Basic master trust services include performance measurement, participant recordkeeping, ERISA reporting, benefit disbursements and securities lending.

Reports to clients are delivered in 12 to 15 days.

Fees are based on a percentage of assets held; separate fees are charged for specific services.

The client contact is Raymond H. Sapp, vice president.

First National Bank of Chicago

One First National Plaza, Suite 0150, Chicago, Ill. 60670; (312) 732-4000

Master trust assets	$4,354,000,000
Master custodial assets	$449,000,000
Other	$7,290,000,000

First National Bank of Chicago has 34 master trust clients and three master custodial clients. There are 22 account supervisors.

The size of the smallest master trust client is $3 million; the largest is $878 million.

The settlement date is used for accounting.

Basic master trust services include performance measurement, portfolio analysis, portfolio review, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, asset allocation, universe comparison and plan accounting.

Reports to clients are delivered eight to 10 days after end of period.

Fees are based on a combination of asset value and individual services.

The client contact is Daniel J. Lenckos, vice president, (312) 732-7704.

First Pennsylvania Bank

15th and Chestnut Streets, Philadelphia, Pa. 19101; (215) 786-8765

Master trust assets	$1,000,000,000
Master custodial assets	$250,000,000
Other	$20,000,000

First Pennsylvania Bank has 12 master trust clients and five master custodial clients. There are 10 account supervisors.

The smallest master trust client is $10 million; the largest is $500 million.

Trade date accounting and settlement date accounting are used, but the actual settlement date will be used at the client's preference.

Basic master trust services include trusteeship/custodianship, accrual or cash accounting, portfolio analytics, performance measurement, TUCS, passive investment, securities lending, global custody, public fund accounting (NCGA rules) and client terminal with inquiry and/or input capability.

Cash statements are delivered within five to seven business days and full accountings within 15 to 17 business days after end of period.

Fees normally are calculated on the market value of assets, but can be unbundled.

The client contact is James F. McHale, vice president, (215) 786-7946.

First Trust Co. of St. Paul

332 Minnesota St., St. Paul, Minn. 55101; (612) 291-5072

Master trust assets	$1,275,000,000
Master custodial assets	$35,000,000
Other	$3,715,000,000

First Trust Co. of St. Paul has seven master trust clients and two master custodial clients. There are six account supervisors.

The smallest master trust client is $8 million.

Trade date accounting is used, but settlement date accounting is also available.

Basic master trust services in-

Continued on page 22

In trust services, we offer you the basics...

As a highly responsible Master Trustee, of course we provide pension plan sponsors with custodial services, as well as fast, accurate reporting that complies with ERISA requirements. But at Bankers Trust just enough is never enough. So we do that

and a lot more.

To keep you abreast of future developments, we meet frequently with sponsors, regulators and legislators. To learn what you think and need now, we sit down with you at regular in-depth meetings. We know that today's prime need is increased return on assets, so we've designed five distinctive services: Cash Management with automatic interest on uninvested cash balances. Securities Lending for incremental returns on securities held in portfolios. GlobeTrust for sponsors who want to diversify assets internationally. Options for additional returns on portfolios. And Consulting services to help you make better investment decisions.

For more information, call Lynne Stewart Minard, Vice-President, Employee Benefit Group, at 212-850-2082, or write her at Bankers Trust Company, 280 Park Ave., N.Y., N.Y. 10017.

Bankers Trust Company

Because your Master Trustee should do more.

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Continued from page 20
clude securities settlement, custody and servicing, accounting (including composites), automatic cash management, performance measurement, TUCS, customer on-line, securities lending and ERISA reporting.

There is a separate asset fee and transaction fee.

The client contact is Roger R. Schaeffer.

First Wisconsin Trust Co.

777 E. Wisconsin Ave., P.O. Box 2054, Milwaukee, Wis. 53201; (414) 765-5000

Master trust assets $1,270,000,000
Master custodial assets $679,000,000
Other $443,000,000

First Wisconsin Trust Co. has 27 master trust clients and one master custodial client. There are seven account supervisors.

The size of the smallest master trust client is $1 million; the largest is $209 million.

Trade date accounting is employed.

Basic master trust services include performance measurement, relative performance measurement, trust universe comparison services, portfolio monitoring service, securities lending, bond dedication and bond immunization.

A report of financial transactions on a settlement basis and including income totals is available about the second business day of the month; a list of assets indicating both cost and market value is available on the sixth business day of the month. The complete monthly financial report for each investment manager account on a full-accrual, trade-date basis is available on the 12th business day of the month. The complete annual financial report for each investment manager account is available 20 business days after the end of the fiscal year.

Annual fees are based on the market value of equities and the cost value of fixed-income securities plus transaction costs.

The client contact is A. Paul Jones, (414) 765-4444.

h

Harris Trust and Savings Bank

111 West Monroe St., Chicago, Ill. 60603; (312) 461-2121

Master trust assets $15,696,000,000
Master custodial assets 0
Other $3,247,000,000

Harris Trust and Savings Bank has 37 master trust clients. There are six account supervisors.

The size of the smallest master trust client is $12 million; the largest is $3.252 billion.

Trade date accounting is used.

Basic master trust services include custody, accounting, reporting, plan accounting, ERISA reporting, cash mobilization, performance measurement and securities lending.

Reports to clients are delivered 20 days after end of period.

Fees are calculated on a base per account plus a percentage of assets.

The client contact is Jon S. Brightman, (312) 461-7344.

i

Irving Trust Co.

1 Wall St., New York, N.Y. 10015; (212) 487-7133

Master trust assets $3,900,000,000
Master custodial assets $8,100,000,000
Other $2,100,000,000

Irving Trust has 22 master trust clients and eight master custodial clients. There are nine account supervisors.

The size of the smallest master trust client is $11 million; the largest is $2.2 billion.

Trade date accounting and settlement date accounting are used.

Basic master trust services include transaction clearance, asset custody, customized reporting, zero-balance cash management and fail-float investment credit.

Reports to clients are delivered five business days after end of period.

Fees are based on the transaction volume and the services required.

The client contact is B.J. Fleming, vice president.

m

M&I Marshall & Ilsley Bank

770 N. Water St., Milwaukee, Wis. 53201; (414) 765-8187

Master trust assets $1,200,000,000
Master custodial assets $100,000,000
Other $400,000,000

M&I Marshall & Ilsley Bank has 25 master trust clients and two master custodial clients. There are six account supervisors.

The size of the smallest master trust client is $4 million; the largest is $250 million.

Settlement date accounting is used; pending trade schedule is optional.

Basic master trust services include automated cash money market funds and performance measurement.

Reports to clients are delivered five to seven days after end of period.

The client contact is Morry L. Birnbaum, vice president.

Manufacturers Hanover Trust Co.

530 Fifth Ave., New York, N.Y. 10036; (212) 286-6000

Master trust assets $14,637,000,000
Master custodial assets $189,000,000
Other $18,400,000,000

Manufacturers Hanover has 30 master trust clients and four master custodial clients. There are 11 account supervisors.

The size of the smallest master trust client is $10 million; the largest is $4.259 billion.

Trade date and settlement date are available for accounting purposes.

Basic master trust services include detailed financial investment reports, ERISA disclosure assistance, cash management, portfolio analysis and comparison, portfolio review, securities lending, on-line terminal access/reporting, international custody, benefit disbursement and multiple plan accounting.

Reports to clients are delivered within three to 10 days.

Fees primarily are based on a percentage of market values. There are special charges for additional services such as on-line terminal access, performance measurement, analytics, plan accounting and pension check payments.

The client contact is Renee San Marco, (212) 819-1580.

Manufacturers National Bank of Detroit

100 Renaissance Center, 6th Floor, Detroit, Mich. 48243; (313) 222-4470

Master trust assets $7,800,000,000
Master custodial assets $200,000,000
Other $500,000,000

Manufacturers National Bank of Detroit has 28 master trust clients and 17 master custodial clients. There are 14 account supervisors.

Continued on page 24

With NBD's Master Trust...it's just not true.

At NBD, we realize that there's never just one way to develop the right Master Trust program. Trust needs vary by business... and by plan sponsor requirements. That's why we specialize in developing creative, flexible Master Trust programs for businesses of any size.

NBD's Master Trust officers constantly study trends in the benefit plans area. This enables us to create totally new components to meet your specific needs today... and tomorrow.

Because each program is individually developed, you can take advantage of any or all of the capabilities we have in the areas of custodian services, benefit disbursement, cash management, performance measurement, or portfolio review diagnostics.

What it comes down to is this: NBD doesn't want to provide you with *a* Master Trust program. We want to provide you with *your* Master Trust program.

We're as close as your phone. Call Clarence Kufel or Jim McManus at (313) 225-3900.

NBD NATIONAL BANK OF DETROIT

Continued from page 22

The size of the smallest master trust client is $12 million; the largest is $6 billion.

Settlement date accounting is used. Trade date accrual and unitized accounting are available.

Basic master trust services include cash management, consolidated reporting, interim transaction reporting, unitized accounting, custom reports, benefit payments and performance measurement.

Reports to clients are delivered five days after end of period.

Fees are calculated on a quarterly basis.

The client contact is Alana C. Macdonald, trust officer.

Marine Midland Bank

250 Park Ave., New York, N.Y. 10177; (212) 949-6507

Master trust assets	$614,300,000
Master custodial assets	0
Other	$1,686,000,000

The size of the smallest master trust client at Marine Midland is $2.9 million; the largest is $324.1 million.

There are 12 account supervisors.

The settlement date is used for accounting.

Basic master trust services include custody and servicing of securities, reporting and disbursement and cash management.

Reports to clients are delivered as required by the client.

The basic fee at Marine Midland Bank is calculated on the basis of decremental rates applied to market value of assets.

Other fees are based on transactions and services.

The client contact is William P. Gaines, administrative vice president.

Mellon Bank

Mellon Square, Pittsburgh, Pa. 15230; (412) 234-3384

Master trust assets	$22,999,000,000
Master custodial assets	$243,000,000
Other	$2,934,000,000

Mellon Bank has 41 master trust clients and one master custodial client. There are seven account supervisors.

The size of the smallest master trust client is $5 million; the largest is $5.1 billion.

Trade date accounting is used, but trade date fully accrued reporting is available.

Basic master trust services include security lending, benefit payment, on-line access, performance measurement, portfolio analysis and portfolio review, options accounting, index funds, international custody, ERISA disclosure assistance and participant recordkeeping.

Reports to clients are delivered within three business days for cash and within 12 business days for accrued reports.

Fees are based on a combination of asset value and individual services performed.

The client contact is Thomas H. Kalen, vice president.

Mercantile-Safe Deposit & Trust Co.

2 Hopkins Plaza, P.O. Box 2257, Baltimore, Md. 21203; (301) 237-5551

Master trust assets	$1,310,000,000
Master custodial assets	$1,131,000,000
Other	$1,780,000,000

Mercantile-Safe Deposit & Trust Co. has 12 master trust clients and three master custodial clients. There are seven account supervisors.

The size of the smallest master trust client is $1 million; the largest is $400 million.

Settlement date accounting is used.

Basic master trust services include depository participation, benefit payments, option transactions, security lending, cash management services, investment analysis, investment performance measurement, ERISA reporting and brokerage reporting.

Reports to clients are delivered in five to 10 days.

Fees are based on asset value and income collected.

The client contact is H. Louis French, vice president.

n

National Bank of Detroit

611 Woodward Ave., Detroit, Mich. 48226; (313) 225-3221

Master trust assets	$4,444,600,000
Master custodial assets	$5,770,000,000
Other	$110,000,000

National Bank of Detroit has 54 master trust clients and 43 master custodial clients. There are seven account supervisors.

The size of the smallest master trust client is $6.7 million; the largest is $1.176 billion.

Settlement date accounting is used. Trade date accounting is targeted to begin in the fourth quarter.

Basic master trust services include centralized custody and safekeeping of assets, consolidated reporting, ERISA disclosure assistance, fail float guarantee, STIF, benefit disbursements and participant recordkeeping.

Optional services offered by the bank include performance measurement, portfolio analysis, equity analysis, securities lending and on-line inquiry.

Reports to clients are delivered five business days after end of period.

Fees are calculated by a combination of asset value and individual services.

The client contact is James T. McManus, second vice president.

The Northern Trust Co.

50 S. LaSalle St., Chicago, Ill. 60675; (312) 630-6000

Master trust assets	$31,148,000,000
Master custodial assets	$1,660,000,000
Other	$682,000,000

The Northern Trust Co. has 109 master trust clients and 21 master custodial clients. There are 12 account supervisors.

The size of the smallest master trust client is $8 million; the largest is $4 billion.

Trade date accounting and settlement date accounting are used, according to the client's preference.

Basic master trust services include: comprehensive reporting, including quarterly plan accounting statements; complete ERISA package; microfiche; full accrual accounting; full fiduciary partnership through efficient cash management and bankruptcy screening of assets; complete performance measurement and analytical consulting services; special services including an in-house benefit payments unit; a securities lending program; and global custody.

Reports to clients are delivered three to five days after end of period.

Fees are based upon the client's market value.

The client contact is Michael S. Terry, vice president.

Norwest Bank Minneapolis

8th and Marquette, Minneapolis, Minn. 55479; (612) 372-8361

Master trust assets	$792,000,000
Master custodial assets	0
Other	$3,216,000,000

Norwest Bank Minneapolis has nine master trust clients. There are four account supervisors.

The size of the smallest master trust client is $4 million; the largest is $277 million.

The settlement date is used for accounting procedures, with pending trades and accrued income reported.

Directory continues on page 25

Are you shelved in a Master Trust "warehouse"?

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U.S. Trust

When you do something very well you simply cannot do it for everyone.

Canada trust assets grow but remain small percent of total

TORONTO — Assets held in master trust/custodian accounts by Canadian banks are a significantly smaller proportion of total tax-exempt assets than those held by banks in the United States.

Total tax-exempt assets in Canada, according to one estimate, are roughly $150 billion. Of this amount, Canadian master trust/custodian banks hold just less than $13.8 billion or 9.2%, according to responses to a survey by *Pensions & Investment Age*.

Of the $13.8 billion in assets under Canadian master trust/custodian relationships, about $636 million are master custodian assets.

Total assets of private, state and local government pension funds in the United States are estimated by *P&I Age* to be $1 trillion. Master trust/custodian assets of the 45 banks surveyed totaled almost $427 billion, or 42.7% of the total.

Top Canadian master trustees in the recent survey included Royal Trust, with $4.8 billion in assets; Montreal Trust, $2.3 billion; and National Trust Co. Ltd., $2.2 billion.

Only two banks reported significant master custodian assets: International Trust Co., with $536 million, and Canada Permanent Trust Co., with $100 million.

While the total master trust/custodian assets in Canada do not appear to be large compared with U.S. banks, they do indicate a significant increase from the figures reported two years ago.

In the April 27, 1981, issue of *P&I Age*, assets under master trustees in Canada topped $5 billion.

At that time, the top banks were National Trust, with $1.5 billion; Royal Trust, $1.5 billion; Canada Trust Co., $900 million; Montreal Trust, $631 million; and Guaranty Trust Co. of Canada with $500 million.

The banks then were predicting they would have assets of $10 billion in the next few years.

—By Linda Savage Ruhe

Continued from page 24

Basic master trust services include automatic cash management, benefit disbursement, ERISA disclosure assistance, index fund, performance measurement, participant recordkeeping, securities lending, portfolio analysis and portfolio review.

Reports to clients on transactions are delivered in three days; asset statements are delivered in 10 days.

Fees are based on market value plus transactions; there is a flat charge on specific services.

The client contact is Thomas E. Hatcher, vice president.

r

Rainier National Bank

P.O. Box 3966, Seattle, Wash. 98124; (206) 621-4298

Master trust assets	0
Master custodial assets	$770,000,000
Other	$2,600,000,000

Ranier National Bank has six master custodial clients.

The size of the smallest master custodial client is $31 million; the largest is $425 million.

The settlement date is used for accounting procedures.

Basic master custodial services include consolidated accounting, summary of accountings and cash sweep.

Reports to clients are delivered in 15 business days.

Fees are calculated as a percentage of assets.

The client contact is Ken Carlson, assistant vice president and manager.

RepublicBank Dallas

P.O. Box 241, Dallas, Texas 75221; (214) 653-6506

Master trust assets	$8,300,000,000
Master custodial assets	$1,500,000,000
Other	N/A

RepublicBank Dallas has 168 master trust clients and seven master custodial clients. There are 12 account supervisors.

The size of the smallest master trust client is $3 million; the largest is $1.4 billion.

Trade date and settlement date accounting are used. Accounting is also provided on a cash or accrual basis.

Basic master trust services include daily cash management, cash forecasting, fail float protection, performance measurement, portfolio diagnostics, benefit payments and withholding, on-line reporting, trust universe comparison service, securities lending, options processing, plan accounting, plan and participant recordkeeping and international custody.

Reports to clients are delivered five days after end of period.

Fees are calculated on a percentage or the market value and transaction charges.

The client contacts are W. Humphrey Bogart, senior vice president, (214) 653-6881 and David J. Pittman, vice president, (214) 653-6506.

s

State Street Bank & Trust Co.

225 Franklin St., Boston, Mass. 02110; (617) 786-6492

Master trust assets	$28,700,000,000
Master custodial assets	$16,520,000,000
Other	$6,700,000,000

State Street Bank & Trust Co. has 61 master trust clients and 26 master custodial clients. There are 27 account supervisors.

The size of the smallest master trust client is $3 million; the largest is $8.4 billion.

In addition to tax-exempt custody accounts, State Street Bank & Trust provides custody services for $107 billion in mutual fund assets.

The trade date is used for accounting procedures.

Basic master trust services include safekeeping of assets, settlement and control of all portfolio trades, determination and collection of income, cash reporting and general ledger accounting, DTC, FBE, institutional delivery system, valuation of assets, STIF, SPIFF, goverment STIF, cash management, fiduciary control, 401(k) capabilities and securities lending.

Reports to clients are delivered in five to seven business days.

Fees are based on the market value of assets, by portfolio; there also are trading charges. Optional services are unbundled.

The client contact is J.D. Nelson.

t

Texas Commerce Bank

P.O. Box 2558, Houston, Texas 77252; (713) 236-5788

Master trust assets	$967,000,000
Master custodial assets	$1,324,000,000
Other	$8,245,000,000

Texas Commerce Bank has 11 master trust clients and eight master custodial clients. There are 10 account supervisors.

The size of the smallest master trust client is $16 million; the largest is $464 million.

Modified trade date accounting is employed.

Basic master trust services include emphasis on client and investment manager communications, timely benefit payments, accurate participant recordkeeping for defined contribution plans, daily cash sweeps and direct participation in DTC.

Reports to clients are delivered in 10 days.

Fees are based on the volume of activity generated.

The client contact is Russell K. Schulze II.

u

United States Trust Co. of New York

45 Wall St., New York, N.Y. 10005; (212) 806-3834

Master trust assets	$5,100,000,000
Master custodial assets	$1,400,000,000
Other	$4,300,000,000

United States Trust Co. of New York has 63 master trust clients and 20 master custodial clients. There are eight account supervisors.

The smallest master trust client is less than $1 million.

United States Trust Co.'s largest client is $596 million.

The actual settlement date is used for accounting procedures.

Basic master trust services include trade processing, safekeeping, collection of interest and dividends.

Other basic master trust services include weekly and cumulative monthly statements, monthly valuations and quarterly allocations.

Reports to clients are delivered in two to 10 days after end of period.

Fees are based on the market value of the assets.

The number of investment managers also serves as a base for fees.

The client contact is Robert Pagano.

w

Wachovia Bank & Trust Co.

P.O. Box 3099, Winston-Salem, N.C. 27102; (919) 748-6348

Master trust assets	$8,111,000,000
Master custodial assets	$165,000,000
Other	$300,000,000

The Wachovia Bank & Trust Co. has 32 master trust clients and two master custodial clients. There are eight account supervisors.

The size of the smallest master trust client is $31 million; the largest is $1.378 billion.

Trade date adjusted accounting is employed.

Basic master trust services include accounting, benefit disbursement, cash management, foreign custody, options and financial futures, securities lending, ERISA disclosure assistance, performance measurement, on-line access and portfolio review.

Reports to clients are delivered 10 days after end of period.

Fees are based on a combination of market value and specific services provided.

The client contact is Jane B. Fisher.

Wells Fargo Bank

475 Sansome St., San Francisco, Calif. 94111; (415) 396-5561

Master trust assets	$5,000,000,000
Master custodial assets	$4,000,000,000
Other	$10,500,000,000

Wells Fargo Bank has 45 master trust clients and 10 master custodial clients. There are four account supervisors.

The size of the smallest master trust client is $10 million; the largest is $1 billion.

Trade date and settlement date are used for accounting purposes.

Basic master trust services include reporting, cash management, income control, securities settlement, custodial services, benefit payments, on-line portfolio inquiry, electronic mail and on-line analysis.

Reports to clients are delivered in 10 days.

Fees are unbundled and based on market value of assets and transaction activity.

The client contact is Roberta Lyon.

Wilmington Trust Co.

Rodney Square North, Wilmington, Del. 19890; (302) 651-1000

Master trust assets	$8,501,000,000
Master custodial assets	$100,000,000
Other	$14,900,000,000

Wilmington Trust has six master trust clients and 20 master custodial clients. There are four account supervisors.

The size of the smallest master trust client is $70 million; the larg-

Continued on page 26

Does your Master Trustee make sure your cash stays fully invested?

The answer to this question is, to us, at the heart of good "Cash Management."

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P&I 62783

Continued from page 25

est is $5.8 billion.

Trade date accounting is used.

Basic master trust services include custody, benefit disbursements, cash management, accounting performance measurement, remote terminals, executive summary, management detail, audit detail reports and particpant recordkeeping.

Reports are delivered to clients 10 to 15 working days after the end of the period.

Fees for services are negotiated.

The client contact is Robert E. Smith, (302) 651-8365.

Winters National Bank & Trust Co.

Winters Tower, Dayton, Ohio 45401; (513) 449-8716

Master trust assets $285,000,000
Master custodial assets 0
Other $215,000,000

Winters National Bank & Trust Co. has 10 master trust clients. There are three account supervisors.

The size of the smallest master trust client is $2 million; the largest is $110 million.

Settlement date accounting, including supplemental unposted trades list, is employed.

Basic master trust services include performance measurement, portfolio review, participant recordkeeping, ERISA disclosure assistance and benefit disbursement.

Fees are based on a combination of asset value and individual services.

The client contact is C.T. Warriner.

Canadian firms

Canada Permanent Trust Co.

320 Bay St., Toronto, Ontario M5H 2P6, Canada; (416) 361-8248

Master trust assets $900,000,000
Master custodial assets $100,000,000
Other $1,200,000,000

Canada Permanent Trust Co. has 20 master trust clients and five master custodial clients.

The firm has two account supervisors.

The size of the smallest master trust client is $5 million; the largest is $300 million.

Settlement date accounting is used.

Basic master trust services include safekeeping; income collection; and securities settlement (including DTC via Manufacturers Hanover).

The Canada Permanent Trust Co. also offers pensioner payroll; client-based, on-line terminals; securities lending; various monthly and on demand reports; and a client call program.

Reports to clients are delivered 15 days after end of period.

The basic fee is based on the bookvalue of assets.

The firm also adds on a percentage for trusteeships, complexity, multiple managers and mortgage administration.

The client contact is R.W. La Force, assistant vice president-corporate custodial services.

The Canada Trust Co.

275 Dundas St., London, Ontario Canada, N6B 3L1; (519) 673-6244

Master trust assets $1,510,000,000
Master custodial assets 0
Other $3,036,000,000

The Canada Trust Co. has 61 master trust clients. There are 13 account supervisors.

The size of the smallest master trust client is $1.5 million; the largest is $211 million.

Settlement date accounting is used.

Basic master trust services include safekeeping securities, processing transactions, constituent and consolidated account reporting, monitoring of compliance with legislative constraints and automatic income crediting.

Reports to clients are delivered 15 days after end of period.

Fees are based on a percentage of book value, plus a small charge per check, termination and security transaction.

The client contact is John Mullen, pension information coordinator, (519) 673-6245.

Guaranty Trust Co. of Canada

366 Bay St., Toronto, Ontario M5H 2W5, Canada; (416) 863-5168

Master trust assets $603,000,000
Master custodial assets 0
Other $611,000,000

Guaranty Trust has 14 master trust clients. There are three account supervisors.

The size of the smallest master trust client is $5 million; the largest is $210 million.

Settlement date is used for accounting. There is a capability for trade date reporting.

Basic master trust services include income accruals, unitized accounting and consolidated report-

Continued on page 27

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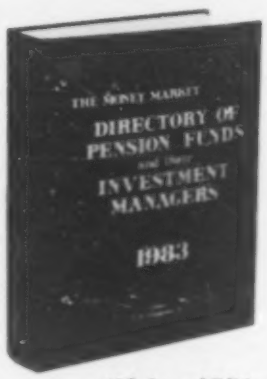

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Continued from page 26

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Reports are available for clients after 10 working days.

Basic fees are based on book value, plus account charges, check charges and performance measurement. Fees for managed assets are based on average market value.

The client contact is P. Diane Thomas.

i

The International Trust Co.

Royal Bank Plaza, North Tower, 14th Floor, Box 75, Toronto, Ontario M5J 2J2 Canada; (416) 865-0515

Master trust assets $197,000,000
Master custodial assets $536,000,000
Other $1,446,000,000

The International Trust Co. has 11 master trust clients and one master custodial client. There are six account supervisors.

The size of the smallest master trust account is $1.2 million; the largest is $536 million.

Settlement date is used for accounting purposes. For reporting, both trade date and settlement date are available.

Basic master trust services include client managed STIF account, cash management and investment management control, and rate of return information.

Reports are delivered 10 days after end of period.

Fee calculation is based on asset exposure, number of accounts in structure and add-on services. The client contact is Peter C. Dunlop.

m

Montreal Trust

15 King St. W., Toronto, Ontario M5H 1B4, Canada; (416) 362-6363

Master trust assets $2,320,000,000
Master custodial assets 0
Other $5,802,000,000

Montreal Trust has 85 master trust clients. There are 11 account supervisors. The size of the smallest master trust client is $2 million; the largest is $270 million. Settlement date accounting is used.

Basic master trust services include corporate trusteeship for consolidated pension fund; consolidated accounting; government reporting; automatic crediting and allocation of dividends, interest and capital gains; trust documentation; portfolio analysis and performance measurement; benefit payment services; investment management; indexed fund capability and on-line asset reporting.

Reports to clients are delivered 15 days after end of period.

Fees on investment management are based on average market value; fees on safe custody are based on average book value.

The client contact is William J. Henderson, assistant vice president, H.O. Pension Services, (416) 362-6363, Loc 504.

n

National Trust Co. Ltd.

21 King St. E., Toronto, Ontario, Canada; (416) 364-9141 ext. 257

Master trust assets $2,212,200,000
Master custodial assets 0
Other $4,512,400,000

National Trust Co. Ltd. has 30 master trust clients.

The firm's account supervisors, for master trust services only, total six.

The size of the smallest master trust client is $4.3 million

The company's largest master trust client is $700 million.

The settlement date is used for accounting.

Basic master trust services include plan and investment accounting (unitized or dollar allocation), index fund, global fund, short-term investment fund and benefits payment.

The National Trust Co. also offers on-line terminal access (beginning in August).

Fees may be bundled or unbundled.

Fees are established commensurate with work involved.

The client contact is D.D. (Don) Landreville, vice president-employee benefit services.

Continued on page 28

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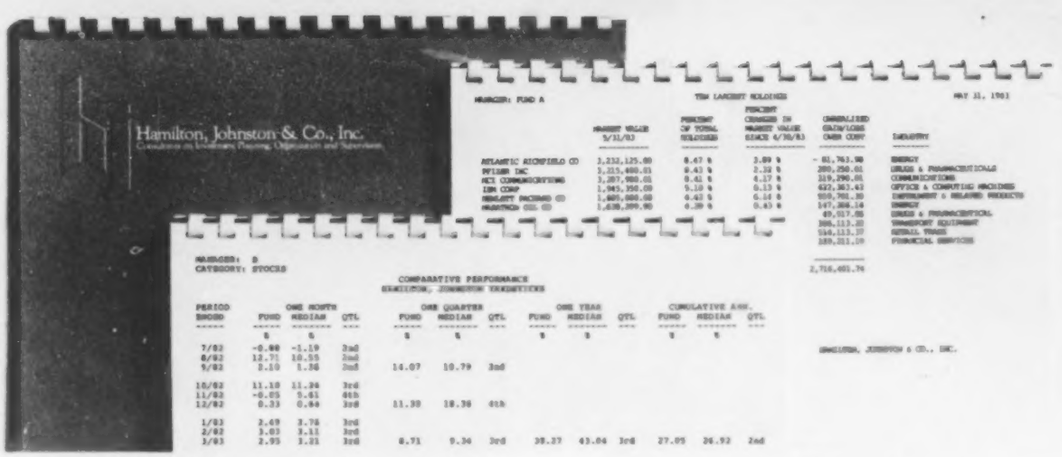
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r

Royal Trust
P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, Canada; (416) 867-2403

Master trust assets	$4,800,000,000
Master custodial assets	0
Other	$1,900,000,000

Royal Trust has 55 master trust clients. There are 12 account supervisors.

The size of the smallest master trust client is $4 million; the largest is $613 million.

Trade date and settlement date accounting are used.

Basic master trust services include monthly financial reports, on-line inquiry, on-line data entry for security transactions, use of CDS and DTC and deposit of income on payable date. Optional services include portfolio management system and performance measurement.

Reports to clients are delivered 10 to 15 days after end of period.

Fees are based on average market value for managed clients, and on average cost value for custodian clients.

The client contact is James A. Gordon.

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Public funds . . .

Continued from page 15

master trust and $20 billion in master custodian assets.

However, the growth in master custodial assets spurred a reversal in the rankings this year between second and third and between fourth and fifth. By gaining $15.2 billion in master trust/custodian assets during the nine months, State Street moved into second place with $43.2 billion in assets, ahead of Bankers Trust Co., New York, with its $8.1 billion increase to $41.5 billion.

Most of the new assets — $10.5 billion — State Street gained were from master custodian accounts, while most of Bankers' increase — $7.7 billion — was in master trust.

Some of State Street's new accounts included the Massachusetts State Employees & Teachers Retirement System, Boston, for a master custodian relationship of $1 billion; Champion Spark Plug Co., Toledo, Ohio, for a master trust relationship of $200 million; and Boise Cascade Corp., Boise, Idaho, for a master trust relationship of $275 million.

Bankers Trust's list included a master trust account from Avco Corp., Greenwich, Conn., for $400 million; a master trust account from Sybron Corp., Rochester, N.Y., for $148 million; and a master trust account from Hughes Aircraft Co., Culver City, Calif., for $2.6 billion.

Citibank, with $35.1 billion in assets, moved to fourth position, switching places with Northern Trust Co., Chicago, which dropped to fifth place with $32.8 billion.

Once again, the bank moving up in position, Citibank, saw its most significant increase of slightly more than $12 billion coming from the master custodian area, while Northern reported its most significant increase of almost $7 billion in the master trust area.

Others reporting strong upward moves included Irving Trust, moving from 14th to 10th with $4.3 billion in new assets bringing its total to $12 billion. Again, the most significant part of its increase — $3.2 billion — was acquired in the master custodian area.

National Bank of Detroit moved from 17th to 11th with a total of $10.2 billion in assets. Almost $2.4 billion of its $4.3 billion increase came in the master custodian area, however, there also was a significant increase in the master trust area.

RepublicBank Dallas went from 18th to 13th in the rankings with $9.8 billion in assets, a 75% increase from its $5.6 billion last July. Only $100 million of the $4.2 billion increase came in the master custodian area.

Wachovia Bank & Trust Co., Winston-Salem, N.C., moved up six places to 13th with a total of $8.3 billion in assets. Most of its $2.9 billion increase was in the master trust area; $165 million was in master custodian assets. ■

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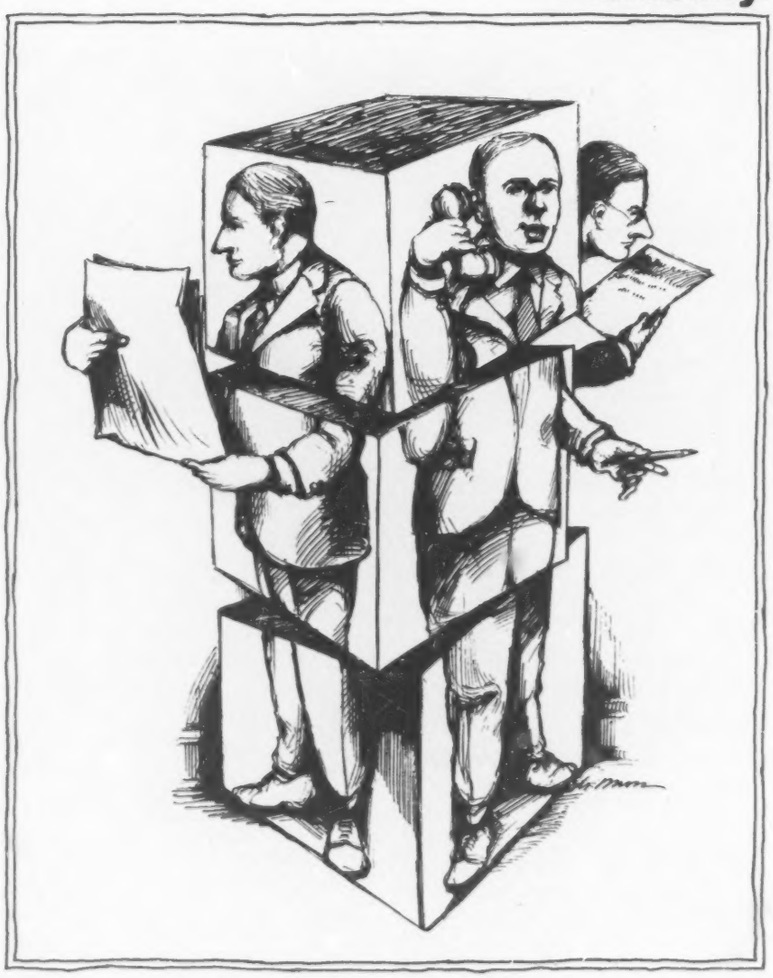

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Service ...

Continued from page 15

Mr. Gundy also suggested that as those clients grow, they might find their banks not able to move up with them.

"If you talked with people in the money center banks, (banks with) under $5 billion would probably not be considered a master trustee," said Clayton A. Boggan, senior vice president and manager for the employee benefits department at Wachovia Bank & Trust Co., Winston-Salem, N.C. Wachovia had $5.4 billion in assets last July and this year reported $8.3 billion.

"Today, size is (supposedly) an indication of quality service. I don't believe that is true."

Mr. Boggan said there are a lot of banks with $5 billion and less in master trust/custodian assets that offer superb services. Sometimes a bank can get in a position where it can be overcomputerized and not be able to offer its services at a reasonable price, he said, adding, "Some clients don't need all those exotic bells and whistles."

First National Bank of Chicago, with master trust/custodian assets just slightly under $5 billion, finds it hard to believe some in the industry might question its commitment to offering a true master trust/custodian product, according to Daniel J. Lenckos, head of the master trustee division. For the past three years, he pointed out, the bank has been spending $3 million a year beefing up its services.

David J. Pittman, vice president at RepublicBank Dallas suggested, "If a bank is not there by now (over $5 billion in assets) it would be tough to get there." If a bank does not have the basic services such as global custody, securities lending, on-line capability and performance measurement services, then it would be hard to get in now and compete in the business, he said. RepublicBank last July had $5.6 billion in assets and in nine months moved up from 18th in the rankings to 13th, with $9.8 billion.

Mr. Pittman said that in the next five to 10 years he sees the lack of profit paring the number of master trust/custodian banks to about 15.

At the same time, he foresees increased interest by clients in the regional banks that can offer more personal attention. Once a bank has shown it has a commitment to developing the product and that it will continue to be there to offer the service, most companies would like to stay in their given region where they can get more personal attention, he added. ■

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Pensions & Investment Age

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Experts study unisex decision

Impact on most plans uncertain

By Joel Chernoff

WASHINGTON — The Supreme Court's ruling equalizing benefit payments could cost employers anywhere from $85 million to $676 million, according to previous Department of Labor estimates.

The range depends on how lower courts interpret the Supreme Court's ruling, and indicates that the ruling raises as many questions as it answers.

The ruling was handed down in a case involving the Arizona state pension system. Suits against Teachers Insurance & Annuity Association and the California pension plans were remanded to the lower courts for consideration in light of the upper court's ruling.

New York state also is involved in a similar suit, and because of state laws that may impose retroactive payments, it could be hit hard by the ruling.

In its July 6 ruling, the high court held that employer-sponsored plans cannot use sex-based actuarial tables in determining benefit payments. The ruling is effective for all benefits derived from contributions made after Aug. 1.

Plans that offer certain benefit options sometimes pay lower benefits to women who pay the same contributions as men because women generally live longer; paying lower monthly benefits equalizes the overall payments, actuaries argue.

But the court's ruling, in Ari-

Continued on page 46

Manny Hanny, Alliance, TCW

California fund picks 3, gets in under the wire

By Steve Hemmerick

LOS ANGELES — Manufacturers Hanover Trust Co., New York, was chosen as interim manager for about $8.4 billion of fixed assets held by the California Teachers' Retirement System only days before those assets would have been left unmanaged.

Alliance Capital, San Francisco, and Trust Co. of the West will split the remaining investments, all equity, 75%-25%.

The selection of outside managers has "never before been done in such a short time period to my knowledge," said Larry Davanzo, a consultant with Wilshire Associates, Los Angeles, which helped trustees of the $10 billion retirement fund select the three managers chosen from eight finalists.

Up until almost the last few days before the July 1 deadline, some trustees of the teachers' fund had hoped for an "extension" that would have allowed the investment staff of its sister fund, the California Public Employees' Retirement System, to continue managing the teachers' assets. The public employees' investment staff, which members said already was pressed with work, had been managing the teachers' assets with its own for more than 12 years.

In 1982, however, the state Legislature ordered separation of the teachers' and public employees' assets, effective July 1 this year, with the idea that such a large amount of assets, more than $27 billion, could be better managed separately.

However, the Legislature and administration, already fighting over the state budget, couldn't agree on salaries for staffers needed for the teachers' fund.

"While the (teachers') system has made substantial effort to comply with this (law) by preparing position descriptions, performing salary surveys and developing a budget for an independent teachers' investment operation, these efforts were frustrated by the inability to obtain through state administrative channels the approval of the required salary levels to enable recruitment of competent personnel," stated Michael Thome, executive director of the teachers' fund.

For example, the position of

Continued on page 43

Olympic panel hopes its cash strategy brings home the gold

By Steve Hemmerick

LOS ANGELES — The Los Angeles Olympic Organizing Committee, host of the 1984 Summer Olympics, has been "living for years off interest" on its assets, according to committee Treasurer Conrad Freund.

Payments from Olympic sponsors and television networks have been coming in quarterly beginning in 1979, and the Olympic committee in effect has been sitting on its assets, knowing its major expenditures were years away.

That interest on income, estimated to run about $40 million when the Olympics concludes in mid-August of 1984, will play an important part in the committee's intentions to run the Olympics at a profit.

What's unique about the scheduled 1984 Olympics, said Mr. Freund, is that it is the first time a private, non-profit organization, not a government agency, is hosting the Olympics.

According to Mr. Freund, the Los Angeles Olympic Committee has about $140 million in assets right now; that's up from a $260,000 deficit in 1979.

He said more money than expected has come in from profitable television network deals and corporate sponsorships. As a result of that income and higher than expected interest rates, the projections on interest earned from investments has increased "dramatically."

Freund: "No more secure investment possible" than Treasury bills

Many U.S. corporations, using their best cash management techniques, try to hold on to their cash for one night. The Los Angeles committee has been holding on to it for years.

Mr. Freund said the committee "wasn't greedy" and didn't try to time interest rates exactly. Some very short-term money market instruments were paying very high rates for a while in 1981 and 1982,

Continued on page 45

SEI, Becker discussing Funds Evaluation sale

CHICAGO — SEI Corp., a company that provides computer services to bank trust departments, is negotiating to buy A.G. Becker Paribas' Funds Evaluation Division.

An A.G. Becker executive confirmed discussions were under way between Becker and SEI but declined further comment. A spokesman for SEI, which is based in Wayne, Pa., also declined comment.

According to some sources, however, SEI has been negotiating with A.G. Becker since about April and a decision is near. Becker is believed to have set a price of about $18 million for the unit.

The Funds Evaluation Division consists of two basic parts, an institutional group and a pension sponsor group. The institutional group provides investment management performance measurement and marketing consulting to 320 bank trust departments and money management firms.

The pension sponsor group, which has 900 corporate relationships, provides investment performance data and investment policy planning and manager evaluation and selection services to corporations. It does 75 to 80 manager searches a year.

These two groups are supported by the A.G. Becker data center in which all of the pension fund and money manager performance data is stored.

The Funds Evaluation Division has 240 employees, of whom 45 to 50 are consultants and 10 to 12 are support staff for the consultants.

SEI reportedly is most interested in the data center, which it sees as a good fit for its computer and financial services to bank trust departments.

Its major products are trust accounting services and a money market fund in which banks invest their trust clients' short-term funds.

The company's revenues in 1982 were $39.7 million and it employs almost 600 people.

Some sources said that while SEI believes the A.G. Becker data center would be a good fit, SEI is less certain it wants to become involved in the consulting part of the business, particularly the pension consulting.

The sources said some investment management consulting firms had been approached by SEI to see

Continued on page 45

Late news

Lockheed appoints

BURBANK, Calif. — Lockheed Corp. has hired Security Pacific Investment Managers, Los Angeles, as an equity manager for its defined benefit fund, according to George Weintz, investment counsel. Lockheed, which has $2.8 billion in retirement assets, also has retained Anhalt/O'Connell as a fixed-income manager for its defined benefit plan. Anhalt/O'Connell was separated July 1 from Trust Co. of the West, Los Angeles. However, Mr. Weintz stressed Lockheed is keeping Trust Co. of the West as a manager for its defined benefit and defined contribution plans.

In another move, Lockheed brought in Delaware Investment Advisers, Philadelphia, as a manager for its defined benefit plan. Mr. Weintz declined to disclose the amount given each manager.

Nabisco options plan

PARSIPPANY, N.J. — Nabisco Brands' $400 million pension fund

Continued on page 2

Section 1 begins on page 17

Assets, liabilities

New P&I Age survey relates corporate, pension statistics of Fortune 100: page 13

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Valued at $50 million

Armco contributes own shares to fund

By Kimberly Blanton

MIDDLETOWN, Ohio — Armco Inc. has made a contribution of 1 million shares of cumulative, convertible preferred stock valued at $50 million to its $1.133 billion Armco Master Pension Trust.

The stock pays a 9% dividend and is convertible to common stock at a rate of 2.22 common shares for each share of preferred stock. The market price of Armco common stock, which is traded on the New York Stock Exchange, is between $17 and $18 per share.

The stock contribution covers part of Armco's 1982 fiscal-year stock contribution to two plans for virtually all of its salaried and union employees, according to Scott Aiken, supervisor of public information.

The entire contribution typically is made in cash. Armco's total annual contribution was about $170 million for 1982, according to *Pensions & Investment Age's* annual pension fund profiles.

One steel analyst said the stock contribution will save much-needed cash for the steel concern, which suffered a $128.4 million net loss for the quarter ending March 31. It also ran at a net loss through much of 1982. Armco's four-member benefit plan asset review committee, which initiated the stock contribution, placed it with the fund's master trustee, Chase Manhattan Bank and will direct its eventual sale, Mr. Aiken said.

Prior to the contribution, no Armco stock was held by the fund. The newly issued stock constitutes about 4.4% of the trust's assets, well below the 10% maximum set by the Employee Retirement Income Security Act.

Armco has placed an estimate of $50 on each share of preferred stock, which "doesn't have a market value until it is put on the market," Mr. Aiken said.

He added that to assure its validity, the estimate was "reviewed by an outside investment banking firm," which he declined to name.

About one month ago, Armco submitted its proposal to the Securities and Exchange Commission to make the new stock issue. The SEC made it effective June 24.

Armco's contribution of stock is a technique that has gained favor with many major corporations, a number of which have done so to save cash.

The growing list of companies that have made stock contributions includes American Airlines Inc., Eastman Kodak Co., Martin Marietta Corp. and Republic Steel Corp.

Unlike many companies that have made contributions of stock, Armco's did not accompany a public offering of similar shares. In this way, Armco's contribution resembles one made by United States Steel Corp. last fall (*P&I Age*, Sept. 13, 1982).

Companies that simultaneously issue shares into the market and into the fund have tagged on the contributed shares the market value of the shares sold publicly.

The review committee may direct the trust "at any time to sell part or all of the shares on terms to be determined at the time of each offering," Mr. Aiken said.

Mark Smith, who directs the plan's other investments, will not be involved in a decision to sell the contribution because he is not on the committee, Mr. Aiken said.

The committee members, who also are plan fiduciaries, include

Continued on page 42

Late news

Continued from page 1

hired Travelers Investment Management Co., Hartford, Conn., to run an options overwrite program, according to a source.

Trading began July 8. TIMCO will write options on a portfolio of 100 stocks managed by another firm. The portfolio is not managed actively.

TIMCO was hired to produce incremental return, another source said.

Phibro stock buyers

NEW YORK — Institutional money managers, bank trust departments and mutual funds were the predominant buyers of a secondary offering of 6 million shares of Phibro/Salomon Inc. common, priced $35.63 a share, July 6.

"About two-thirds of the buyers were institutional," said John Carney, syndicate manager at Lazard Freres & Co., the lead underwriter.

The shares were sold by Minorco, the Minerals and Resources Corp. of Bermuda. The offering raised about $213.78 million, of which Minorco's net proceeds would be approximately $207 million. The sale reduces the corporation's holdings in Phibro to about 22.3%.

Reportedly, institutional demand was high.

However, Mr. Carney added: "Yes, demand was high in the final analysis, but only after a lot of spadework. It was not an easy deal, because of the size and because of a very nervous market."

Legislation killed

CHICAGO — In a vote during the last hours of its recent session, the Illinois Legislature killed a bill that would have restructured the Chicago Transit Authority and would have canceled repayment of $24 million owed the $500 million CTA pension plan.

The $24 million debt to the pension plan resulted from monthly payments defaulted on in the second half of 1981.

Those payments had been used to bail out the financially strapped transport authority.

International venture

NEW YORK — Nomura Securities Co. and Morgan Guaranty Trust Co. plan to form a joint investment company to manage Japanese pension assets.

In the joint venture, Morgan will match the $3.1 million Nomura has contributed to its subsidiary, Nomura Investment Management Co.

Teachers awarded

TRENTON, N.J. — Professors and teaching staff at two colleges in New Jersey are to be awarded $240,000 in an out-of-court settlement reached July 5 with the New Jersey Division of Pensions.

The amount was awarded as interest on state and employee contributions made to the variable annuities plan for teaching staff at Rutgers University and UMDNJ, formerly the University of Medicine and Dentistry, New Jersey.

The original contributions consistently had arrived late for a period of about two years (*Pensions & Investment Age*, Sept. 27, 1982).

The agreement, subject to court approval, also stipulated that all future contributions be made within 30 days of the due date.

State mortgage plan

CHARLESTON, W. Va. — The $2.3 billion West Virginia State Board of Investment has approved a $10 million mortgage program providing loans for single-family residences.

The program proposed by state Treasurer Larrie Bailey would provide loans at 12.25% for 15 years. The maximum loan commitment to any one lender would be $1 million and the loans would be made for new and existing housing in West Virginia.

In another action, the board decided to retain only one of its two current financial investment advisers to save $20,000 a year in adviser fees.

A.G. Becker, Chicago, was dropped, while Loomis, Sayles & Co., Boston, was retained as adviser for the fund.

Timken realty move

CANTON, Ohio — The Timken Co. hired Wachovia National Bank & Trust Co., Winston-Salem, N.C., Rosenberg Real Estate Equity Fund, San Francisco, and JMB Institutional Realty Corp., Chicago, to increase pension investments in commingled real estate funds, according to a company spokesman.

Wachovia already managed a balanced account for the $575 million pension fund.

Allocations to each firm were not available.

Baker gets new job

NEW YORK — George R. Baker, formerly executive vice president and head of general banking services at Continental Illinois Corp. and Continental Illinois National Bank and Trust Co. in Chicago, has joined the investment banking firm of Bear, Stearns & Co. as a special limited partner.

BBS gains Hanauer

LIVINGSTON, N.J. — BBS Securities Group, the holding company for the investment banking firm of Bevill, Bresler & Schulman Inc., has acquired Hanauer, Stern & Co. The acquisition price was not disclosed.

Hanauer Stern will operate as a BBS subsidiary, according to Gil Schulman, president of Bevill, Bresler & Schulman.

The acquisition puts BBS among the larger regional investment banking firms specializing in fixed-income securities, Mr. Schulman said.

Foreign funds have $14 billion in U.S.

Federal Reserve study covering four countries finds financial holdings predominate portfolios

By Ivy Schmerken

NEW YORK — Foreign pension funds have invested about $14 billion in the United States, with $11 billion in financial assets, according to a new study by the Federal Reserve Bank.

The study covers the pension funds of four countries — the United Kingdom, the Netherlands, Canada and Japan. It found that although financial assets dominate the investments, the funds have begun to diversify away from those holdings.

Within the next five years, the rate of inflow from the foreign funds is expected to be nearly matched by the outflow of U.S. pension funds investing overseas, according to the study.

The pension funds in the four major investing countries had total assets of $342.5 billion based on foreign currency exchange rates at the end of 1981.

U.K. pension assets totaled $185 billion; Dutch pension assets, $50 billion; Canadian pension assets, $63.5 billion; and Japanese assets, $44 billion.

The funds have invested $13 billion to $14 billion in the United States, of which about $11 billion is U.S. financial assets.

A trend toward broader international diversification of pension investments is evident in countries

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Hay leaves his N.Y. State post to join adviser

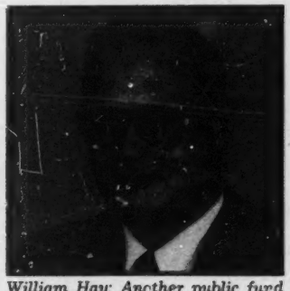
NEW YORK — William C. Hay resigned as chief investment officer and chief operating officer of the $18 billion New York State Common Retirement Fund June 28 to become a principal in the investment firm Smith Affiliated Capital Corp.

His resignation is effective Aug. 1; his replacement is expected to be named before then.

Mr. Hay supervises the investment management of a $3 billion stock index fund.

The New York State Common Retirement Fund is the second largest pension fund in the nation after American Telephone & Telegraph's $45 billion pension trust.

Mr. Hay joined the fund in 1980 after many years in portfolio management with Citibank and several years managing money for the state of New Jersey.



William Hay: Another public fund executive enters the private sector

He will join Smith Affiliated Capital as an executive vice president responsible for managing individual and institutional portfolios with Robert G. Smith, president. Mr. Smith was affiliated with Grey, Siefert before starting his own firm June 1982.

Smith Affiliated has $100 million under management. Many clients are state and local government and

Continued on page 44

Pension fund stats viewed with financial statements take U.S. corporate pulse

Securities analysts increasingly are taking a closer look at pension fund numbers in assessing corporate health

This year, Pensions & Investment Age *is inaugurating what will be an annual feature: the comparison of pension fund statistics with corporate financial statistics, as reported in annual reports.*

Although there are problems with such comparisons, they are the only statistics available, and it is clear analysts are starting to pay attention to the numbers. In addition, if the Financial Accounting Standards Board proposal to include pension statistics on balance sheets is approved, pension funds will have an enormous impact on corporate financial statements.

All figures presented here were derived from the 1982 corporate annual reports of the Fortune 100 companies. The statistics in those reports are specified by the Financial Accounting Standards Board's Opinion No. 36.

The information on this and subsequent pages was researched by Kimberly Blanton and Sally Duros. All material is copyright 1983 by Crain Communications Inc.

CHICAGO — The characteristics of the pension plans of the nation's largest 100 companies are as diverse as the companies themselves — and their effects on those firms are just as diverse.

Bethlehem Steel Corp.'s plan assets fall short of its vested liability by an amount equal to a full 67% of its net worth. The steel company's funding status contrasted starkly with that of Lockheed Corp., which had assets in excess of its vested pension liabilities that amounted to 167.8% of its net worth.

These statistics and others comparing companies' pension fund data with the balance sheet and the income statement have been taken from the 1982 annual reports of the Fortune 100 companies ranked by sales *(see table, next page).*

They provide a guide to securities analysts, who increasingly are looking at pension fund statistics in assessing the financial health of the companies they follow.

On the income statement, pension expense can be compared with adjusted operating income to get an idea of what role pension expense plays in the company's cost structure. Adjusted operating income refers to operating income with pension expense added back, to make a comparison meaningful.

Pension expense was four times greater than the adjusted operating income at Ford Motor Co., but just 1% at Amerada Hess Corp., an oil concern.

Some companies have accumulated assets in their pension funds that rival the asset side of the balance sheet. Lockheed's $2.5 billion fund exceeds its corporate assets, and Greyhound Corp.'s fund amounts to almost half of its corporate assets.

Whether a plan is over- or underfunded and the cost of funding it annually are the biggest pension-related clues stock analysts use to read between the lines of companies' financial statements.

The attention many security analysts give to the pension fund in turn relates to the magnitude of these statistics: the bigger the deficit, the more ominous it is.

Analysts for companies in heavy industry, where the outstanding statistics occur most, are keenly aware that a high unfunded vested liability reduces the company's true net worth. If assets in the plan fall short of vested liabilities, the plan's vested funding status is negative.

Analysts of service companies that have well-funded plans and low pension expense dismiss the fund as an unimportant consideration. They are aware of the fund, however, and admit that if these companies' fund data reached the level of those in basic manufacturing, it would become crucial.

> *Funding status primarily hits corporations negatively: "A surplus is a zero, and a deficit is a negative."*

Derick Driemeyer, a vice president who has spent many years analyzing various industries at A.G. Edwards & Sons, St. Louis, stressed the importance of the pension fund.

"All you have to do is look at the liability Bethlehem Steel has" to know it matters, he said, adding, "it's not going to be important in the drug industry."

If a plan's deficit approaches its net worth, "the so-called secured creditors don't really have assets," explained Paul Plaettner a senior analyst with Crowell, Weedon & Co. Mr. Plaettner, a former steel-company analyst who scrutinized pension plans, now analyzes companies in health services and products.

Although a deficit in the plan reflects poorly on a company, the opposite case — a company with a surplus in the plan — is not better off, he said. An underfunded plan represents a claim on the company, but excess assets belong to the plan members and not the corporation, Mr. Plaettner explained.

"A surplus is a zero, and a deficit is a negative," he added.

Some companies have terminated their plans, however, and have used the excess assets for corporate purposes (*Pensions & Investment Age*, June 13).

As is the case in the health-care and supply industry, "If the pension plan is a small part, who cares," Mr. Plaettner said.

He pointed to Johnson & Johnson: its fund assets exceeded vested liabilities by $115.9 million in 1982, or 4.1% of its net worth. Its $64.5 million pension expense also was low on the list as a percentage of adjusted operating income, 8.5%.

"Pensions are only a problem when companies are in trouble," concurred Robert Grant, a steel analyst for Lehman Bros. Kuhn Loeb Inc., who looks closely at steel companies' unfunded vested liability. Moreover, "Older companies have large pension liabilities, because they have unions, and they tend to have been around for a long time" and accrued a significant liability, he added.

"I think they've been overstating their income for some time," and the pension fund is partially behind that chronic problem, he explained.

There are problems in comparing pension fund liabilities. There are no standards accounting methods, and a large number of different funding methods are used. However, the liabilities are gaining the attention of analysts.

Moreover, the Financial Accounting Standards Board has proposed that fund assets and liabilities be placed on the balance sheet. Already, standard accounting practices recently adopted require pension fund accounting in the footnotes.

Of the FASB balance sheet proposal, Mr. Grant said, "I am in favor of anything that effectively reduces the earnings or the net worth of the steel companies." He said their accounting is too "liberal."

On the balance sheet, unfunded liability could detract substantially from the net worth of many companies.

The statistics provide a number of examples: Bethlehem Steel topped the list of companies with unfunded vested liability as a percent of net worth. Its pension fund was $830 million short of assets, and the deficit amounted to 67.1% of its $1.2 billion net worth. Next were LTV Corp., with a deficit amounting to 22.6% of its $1.1 billion net worth; General Motors, with a deficit equal to 10.5% of its $18.3 billion net worth; and CPC International, with a deficit at 4.9% of its $1.3 billion net worth.

Next were American Can's unfunded liability at 3.4% of net worth; Westinghouse Electric Corp., 3.2%; Bendix Corp., 2.5%; and American Brands, 2.4%.

On the other hand, many corporations have a large surplus of assets over vested liabilities. Lockheed was first among those corporations with surpluses as a percentage of net worth: its $702 million pension surplus amounted to 167.8% of its $418.4 million net worth.

Firestone Tire & Rubber Co.'s $403 million surplus amounted to 30.9% of its $1.3 billion net worth; Agway International had a surplus at 26.9% of its $285.8 million net worth; McDonnell Douglas, 26.7% of net worth of $1.8 billion; and E.I. du Pont de Nemours & Co., 26.5% of net worth of $10.8 billion.

Pension expense is another area scrutinized by analysts. In fact, some consider this aspect more carefully because they are concerned with the immediate cost — pension expense — than with an unfunded liability that looms in the future.

"Rarely do I consider the size of the unfunded pension liability," said Alfred Nelson, auto analyst for A.G. Becker Inc.

"When are you going to have to meet this? That is a difficult judgment to make."

"Investment decisions will probably occur more frequently in the short run than any longer run decision where you'd have to consider the pension liability," he continued.

"For the people operating the company," however, the pension fund expense's "demands on cash flow can be very, very large."

Kenneth Pinkes, director of industrial research at Moody's Investor Services Inc., believes pension expense as either a percentage of sales or operating income "gives you some idea" of "how material (pension expense) is as a part of the company's cost structure."

He admits, however, that the statistic is lacking because operating income and sales fluctuate annually, but it is one way to assess "how many times is the company more profitable than the cost of meeting its pension expense," a fixed charge.

Pension expense as a percentage of operating income varies widely among companies. Ford Motor Co.'s pension expense is 427.6% of its adjusted operating income. Armco Steel's is 176.4%; Alcoa's, 154.2%; General Motors Corp., 61.9%; and United States Steel, 43.2%.

Bethlehem Steel and International Harvester Co., both with substantial pension expense, had negative adjusted operating and the percentage figures were meaningless. Bethlehem Steel's pension expense was $333.9 million, against an operating deficit of $497.9 million. International Harvester's $160 million pension expense compared with a $327.5 million operating deficit.

Other analysts gloss over the pension fund data in annual reports. "I will glance at it, but by and large it's not an important number in the companies I follow," accord-

Continued on page 36

The largest unfunded liabilities as a percentage of net worth

Company	Funding status as a % of net worth
Bethlehem Steel	(67.1)%
LTV	(22.6)
General Motors	(10.5)
CPC International	(4.9)
Armco	(4.8)

The largest fund surpluses as a percentage of net worth

Company	Funding status as a % of net worth
Lockheed	167.8%
Firestone	30.9
Agway	26.9
McDonnell Douglas	26.7
Du Pont	26.5

Companies with pension expense of over 50% of operating income

Company	Pension expense as % of adjusted operating income*
Ford Motor Co.	427.6%
Armco	176.4
Alcoa	154.2
International Paper	136.2
Deere & Co.	78.4
Chrysler	76.0
General Motors	61.9
American Can	57.5

*Operating income plus pension expense

Largest pension assets as a percentage of net worth

Company	Pension assets as a % of net worth
Lockheed	603.3%
Bethlehem Steel	167.9
Rockwell International	131.5
LTV	129.8
Ford Motor	118.8

Largest pension assets as a percentage of corporate assets

Company	Pension assets as a % of corporate assets
Lockheed	102.4%
Rockwell International	56.6
Bethlehem Steel	50.4
General Dynamics	49.1
Greyhound	48.9

Pension funds, balance sheets

Company	Total pension benefits $ mil.	Vested benefits $ mil.	Fund assets $ mil.	Vested funding status $ mil. 1982	Vested funding status $ mil. 1981	Assumed rate of return (%) 1982	Assumed rate of return (%) 1981	Net worth $ mil.	1982 vested funding status as percentage of net worth %	Pension assets as percentage of net worth %	Corporate assets $ mil.	Pension assets as percentage of corporate assets %	Pension expense $ mil.	Operating income $ mil.	Pension expense as percentage of adjusted operating income %
Agway	127.4	121.1	198.1	77.0	68.7	5.0-14.0	5.0-12.0	285.8	26.9	69.3	1,396.1	14.2	18.1	73.1	19.8
Allied	936.0	879.0	810.0[1]	(69.0)	(43.0)	8.0	8.0	3,207.0	(2.2)	25.3	6,272.0	12.9	80.0	785.0	10.2
Alcoa	1,600.7	1,445.0	1,375.2	(69.8)	(81.2)	9.3	10.0	3,112.5	(2.2)	44.2	5,989.5	23.0	179.6	(63.1)	154.2
Amerada Hess	51.3	47.2	106.9	59.7	51.7	10.0	9.0	2,570.5	2.3	4.2	6,145.3	1.7	5.7	662.6	0.8
American Brands	410.2	382.3	335.6	(46.7)	(21.2)	8.0	8.0	1,924.8	(2.4)	17.0	4,040.3	8.3	66.6	631.9	9.5
American Can	981.5	928.9	901.6	(27.3)	12.9	9.0	9.0	804.1	(3.4)	112.1	2,647.3	34.1	76.4	56.5	57.5
American Home Products[2]	—	—	—	—	—	—	—	—	—	—	—	—	13.3	1,021.9	1.3
Anheuser-Busch	255.0	231.6	314.2	82.6	54.6	8.2	8.5	1,526.6	5.4	20.6	3,902.8	8.1	52.7	492.9	9.7
Armco	1,546.2	1,263.9	1,169.5[1]	(94.4)	(66.5)	8.5	8.5	1,980.8	(4.8)	59.0	4,156.5	28.1	138.1	(59.8)	176.4
Ashland Oil	198.7	181.3	340.2	158.9	129.9	9.5	8.3	1,047.2	15.2	32.5	4,210.5	8.1	29.8	178.4	14.3
Atlantic Richfield	1,487.0	1,404.0	1,513.0	109.0	173.0	8.0	8.0	9,868.3	1.1	15.3	21,632.8	7.0	134.0	2,732.0	4.7
Beatrice Foods	256.3	235.8	328.5	92.7	74.8	8.2-12.3	8.0	2,214.8	4.2	14.8	4,731.7	6.9	42.0[3]	694.2	5.7
Bendix	1,019.4	914.5	876.8	(37.7)	(134.2)	9.6	8.5	1,481.0	(2.5)	59.2	3,870.8	22.7	132.2	231.4	36.4
Bethlehem Steel	3,317.0	3,154.0	2,324.0	(830.0)	(282.0)	10.0	10.0	1,236.8	(67.1)	187.9	4,611.3	50.4	333.9	(497.9)	m
Boeing	1,932.0	1,712.0	2,401.0	689.0	266.0	8.5	8.5	2,813.0	24.5	85.4	7,593.0	31.6	210.0	224	48.4
Borden	240.5	230.7	241.9	11.2	14.6	8.3	8.3	1,341.3	0.8	18.0	2,589.7	9.3	16.3[3]	260.0	5.9
Burroughs	544.3	516.8	571.1	54.3	(16.2)	8.6	8.7	2,040.6	2.7	28.0	4,123.1	13.9	53.9	156.3	25.6
Caterpillar	2,331.0	2,144.0	1,993.0	(151.0)	(428.0)	7.5	7.5	3,496.0	(4.3)	57.0	7,201.0	27.7	221.0	(253.0)	m
Charter	10.5	10.2	14.2	4.0	3.4	8.5	6.5-8.0	640.8	0.6	2.2	1,628.0	0.9	3.6	134.7	2.6
Chrysler	3,273.5	2,849.5	1,948.2[1]	(901.3)	(943.4)	10.2	9.3	(329.8)	m	m	6,263.5	31.1	271.7	85.7	76.0
Coastal	101.4	87.0	107.8	20.8	28.5	5.5	5.5	523.9	4.0	20.6	3,225.7	3.3	11.9	241.9	4.7
Coca-Cola	192.6	178.3	234.8	56.5	46.4	10.0	9.0	2,778.7	2.0	8.4	4,923.3	4.8	37.0	894.3	4.0
Colgate-Palmolive	429.6	396.0	485.2	89.2	115.5	6.8	6.8	1,321.3	6.8	36.7	2,574.4	18.8	51.0	366.8	12.2
Consolidated Foods	136.9	110.6	141.1	30.5	9.9	7.0	6.0	924.0	3.3	15.3	2,398.8	5.9	28.7	295.6	8.8
Continental Group	933.0	870.0	918.0	48.0	69.0	9.0	8.5	1,629.3	2.9	56.3	4,206.4	21.8	81.4	234.0	25.8
Control Data	203.8	196.7	277.3	80.6	73.7	7.8	7.8	1,725.0	4.7	16.1	6,911.9	4.0	26.0	582.9	4.3
CPC International	228.7	216.7	152.9	(63.8)	(54.2)	8.0	8.0	1,305.7	(4.9)	11.7	2,413.0	6.3	34.5	440.5	7.3
Dart & Kraft	600.2	566.2	819.4	253.2	264.8	6.5-8.0	6.5-8.0	2,774.0	9.1	29.5	5,133.8	16.0	45.3	754.1	5.7
Deere	814.0	756.0	1,114.0	358.0	207.0	9.6	8.9	2,388.2	15.0	46.7	5,935.0	18.8	118.0	32.5	78.4
Digital Equipment	78.8	45.9	172.8	126.9	83.2	6.0	6.0	3,164.0	4.0	5.0	4,024.0	4.3	61.8	584.8	9.6
Dow Chemical	1,219.0	1,044.0	1,168.0	124.0	139.0	8.0	8.0	5,040.0	2.5	23.2	11,807.0	9.9	126.0	356.0	26.1
Dresser	560.9	519.9	617.2	97.3	53.6	8.0	7.5	2,019.2	4.8	30.5	3,310.9	18.6	61.2	278.6	18.0
E.I. Du Pont	4,875.0	4,767.0	7,643.0	2,876.0	2,003.0	9.6	10.4	10,850.0	26.5	70.4	24,343.0	31.4	537.0	2,533.0	17.5
Eastman Kodak	2,060.0	1,809.0	2,742.0	933.0	314.0	9.0	6.3	7,541.0	12.4	36.4	10,622.0	25.8	186.0	1,860.0	9.1
Exxon	3,299.0	3,132.0	4,245.0	1,113.0	840.0	7.9	7.8	28,440.2	3.9	14.9	62,288.5	6.8	557.0	4,442.3	11.1
Firestone Tire & Rubber	628.0	598.0	1,001.0	403.0	189.0	15.9	13.0	1,303.0	30.9	76.8	2,672.0	37.5	18.0	154.0	10.5
Ford Motor	8,310.0	7,050.0	7,220.0	170.0	(660.0)	8.0	8.0	6,077.5	2.8	118.8	21,967.7	32.9	631.2	(483.6)	427.6
General Dynamics	1,113.9	1,036.6	1,295.3	258.7	150.2	7.0	7.0	1,175.0	22.0	110.2	2,639.5	49.1	108.7	266.7	28.9
General Electric	7,688.0	7,160.0	8,682.0	152.2	769.0	7.5	6.0	10,198.0	1.5	85.1	21,615.0	40.2	570.0	2,405.0	19.1
General Foods	839.5	779.9	932.0	152.1	119.5	6.5	6.5	1,625.8	9.4	57.3	3,860.7	24.1	77.7	563.8	12.1
General Mills	292.0	269.0	323.0	54.0	45.0	10.5	9.5	1,232.2	4.4	26.2	2,701.7	11.9	39.5	481.8	7.6
General Motors	18,101.9	16,347.8	14,432.8	(1,915.0)	(2,836.5)	10.3	10.0	18,287.1	(10.5)	78.9	41,397.8	34.9	1,565.9	961.9	61.9
Georgia Pacific	222.0	191.0	219.0	28.0	(3.0)	6.5	6.0	1,989.0	1.4	11.0	5,150.0	4.3	16.0	177.0	8.3
Getty Oil	449.1	421.7	486.6	64.9	120.6	7.0	7.0	5,100.6	1.3	9.5	9,924.5	4.9	50.0	1,692.5	2.9
Goodyear Tire & Rubber	1,602.1	1,475.5	1,572.8	97.3	(11.8)	8.5	8.5	2,457.2	4.0	64.0	5,193.5	30.3	120.1	632.5	16.0
W.R. Grace	228.0	214.0	348.9	134.9	96.2	6.5	6.4	2,198.0	6.1	15.9	4,915.7	7.1	28.3	477.5	5.6
Greyhound	979.8	929.7	981.9[1]	52.2	86.5	9.0	9.0	960.4	5.4	102.2	2,007.2	48.9	74.9	147.2	33.7
Gulf Oil	1,347.0	1,285.0	1,923.0	638.0	506.0	10.6	9.9	9,914.0	6.4	19.4	20,436.0	9.4	185.0	2,320.0	7.4
Gulf & Western	329.0	312.0	377.0	65.0	65.0	10.0	10.0	2,176.7	3.0	17.3	5,847.2	6.4	52.4	350.1	13.0
Hewlett Packard	401.0	285.0	500.0	215.0	174.0	10.3	10.0	2,349.0	9.2	21.3	3,470.0	14.4	85.0[3]	676.0	11.2

DEFINITIONS

Total pension benefits:
The actuarial present value of benefits promised to all past and present employees based on service already performed.

Vested benefits:
The present value of all benefits accrued by employees who have worked long enough with the company to have a legal right to the benefits.

Fund assets:
The market value of the assets that have been set aside to fund pension benefit payments.

Vested funding status:
Fund assets minus vested benefits. Overfunded plans have a positive status; plans with an unfunded vested liability have a negative status.

Assumed rate of return:
The weighted average interest rate the company's actuary uses in deriving the present value of total pension benefits.

Net worth:
The amount of equity available for stockholders as shown on the company's balance sheet.

Adjusted operating income:
Operating income plus pension expense.

Operating income:
Income derived from actual operations of the company. For this study, we attempted to use a consistent definition throughout. In general, interest and other financial expense, interest and other financial income, equity in affiliated companies, non-recurring items such as plant shutdown costs, and income taxes were excluded from a calculation of net income.

and income statements: 1982

Company	Total pension benefits $ mil.	Vested benefits $ mil.	Fund assets $ mil.	Vested funding status $ mil. 1982	Vested funding status $ mil. 1981	Assumed rate of return (%) 1982	Assumed rate of return (%) 1981	Net worth $ mil.	1982 vested funding status as percentage of net worth %	Pension assets as percentage of net worth %	Corporate assets $ mil.	Pension assets as percentage of corporate assets %	Pension expense $ mil.	Operating income $ mil.	Pension expense as percentage of adjusted operating income %
Honeywell	896.0	775.3	787.7	12.4	(4.8)	8.0-15.6	8.0	2,143.4	0.6	36.8	4,470.9	17.6	91.5	334.8	21.5
I.C. Industries	293.3	274.0	276.9	2.9	(14.8)	8.0	7.0	1,131.1	0.3	24.5	3,952.4	7.0	23.1[3]	163.9	12.4
IBM	6,986.0	6,748.0	8,390.0	1,642.0	997.0	5.5	5.5	19,960.0	8.2	42.0	32,541.0	25.8	1,187.0	8,056.0	12.8
International Harvester	2,206.0	2,035.0	1,195.0	(840.0)	(1,135.0)	7.0-15.6	7.0	(216.8)	m	m	3,698.7	32.3	160.0	(327.5)	m
International Paper	709.0	682.0	961.0	279.0	294.0	7.5	8.8	3,205.2	8.7	30.0	5,566.2	17.3	29.0	(7.7)	136.2
ITT	1,651.3	1,490.3	1,664.0	173.7	245.1	8.9	8.9	6,122.6	2.8	27.2	14,131.7	11.8	276.0	903.5	23.4
Johnson & Johnson	273.4	249.1	364.2	115.1	115.9	7.5	7.5	2,799.5	4.1	13.0	4,209.6	0.9	64.5	698.0	8.5
Kerr-McGee	91.1	88.2	126.1	37.9	38.1	6.0	6.0	1,672.4	2.3	7.5	3,762.6	3.4	11.1	419.1	2.6
Land O'Lakes	34.4	31.9	48.7	16.8	12.1	7.0-8.5	n/a	244.2	6.9	19.9	792.5	6.1	4.5	30.3	12.9
Litton Industries	539.0	529.0	579.0[4]	50.0	(14.0)	7.0	7.0	1,676.9	3.0	34.5	3,836.8	15.1	35.4	439.1	7.5
Lockheed	1,894.0	1,822.0	2,524.0	702.0	516.0	8.6	9.3	418.4	167.8	603.3	2,464.4	102.4	157.0	457.0	25.6
LTV	1,892.7	1,701.1	1,448.4	(252.7)	(125.0)	10.0	10.0	1,115.8	(22.6)	129.8	4,023.2	36.0	166.0	(264.9)	m
McDermott	515.2	441.4	581.4	140.0	76.6	9.0	8.0	1,174.6	11.9	49.5	4,030.0	14.4	83.1	410.3	16.8
McDonnell Douglas	1,725.8	1,514.4	2,000.7	486.3	482.8	8.0	8.0	1,819.6	26.7	110.0	4,621.8	43.3	195.7[3]	230.7	45.9
3M	651.0	526.0	733.0	207.0	250.0	8.0	8.0	3,548.0	5.8	20.7	5,514.0	13.3	103.0	1,048.0	8.9
Mobil	2,876.0	2,796.0	2,948.0	152.0	(244.0)	6.0	6.0	14,742.0	1.0	20.0	36,439.0	8.1	289.0	3,045.0	8.7
Monsanto	1,543.0	1,366.0	1,697.0	331.0	137.0	7.5	7.5	3,490.0	9.5	48.6	6,077.0	27.9	136.0	501.0	21.4
Motorola	94.0	78.0	189.0	111.0	109.0	7.0	6.0	1,700.1	6.5	11.1	2,833.2	6.7	11.2	259.9	4.1
Nabisco Brands	389.7	369.6	338.7	(30.9)	(9.8)	9.0	9.0	1,835.9	(1.7)	18.4	3,691.6	9.2	72.6	554.3	11.6
Occidental Petroleum[5]	694.9	645.8	991.0	345.2	111.3	8.0-13.0	8.0	2,689.7	12.8	36.8	15,772.5	6.3	30.0	1,587.3	1.9
Pepsico	261.8	201.8	283.1	81.3	79.8	7.0	7.0	1,650.5	4.9	17.2	4,197.5	6.7	44.3	643.6	6.4
Philip Morris	398.3	332.2	490.5	158.3	88.3	7.5	6.5	3,662.9	4.3	13.4	9,691.9	5.1	89.7	1,650.5	5.2
Phillips Petroleum	813.0	710.0	1,092.0	382.0	407.0	8.0	8.0	5,773.0	6.6	18.9	12,097.0	9.0	65.0	2,132.0	2.9
Procter & Gamble[6]	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ralston Purina	201.5	172.2	272.2	100.0	101.1	6.0	6.0	1,100.1	9.1	24.7	2,113.8	12.9	19.1	378.8	4.8
Raytheon	542.5	502.2	668.7	166.5	25.9	n/a	n/a	1,711.8	9.7	39.1	3,510.2	19.1	85.1	387.3	18.7
R.J. Reynolds	746.0	624.0	866.0	242.0	196.0	8.0	8.0	4,766.0	5.1	18.2	10,355.0	8.4	114.0	1,594.0	6.7
Rockwell International	2,770.0	2,409.0	2,758.0	349.0	406.0	7.0	7.0	2,097.3	16.6	131.5	4,870.3	56.6	258.3	452.5	36.3
Shell Oil	1,058.0	960.0	1,657.0	697.0	559.0	9.5	10.0	10,290.0	6.8	16.1	21,376.0	7.8	154.0	2,842.0	5.1
Signal Cos.	753.0	660.1	710.2	50.1	97.6	7.5	7.5	1,694.5	2.9	41.9	3,608.7	19.7	89.7	208.8	30.0
Sperry	730.3	676.9	1,041.7	364.8	209.2	8.0	8.0	2,384.4	15.3	43.7	5,343.0	19.5	98.3	594.5	14.2
Standard Oil (Calif.)	1,005.0	968.0	1,191.0	223.0	220.0	8.0	7.0	13,246.0	1.7	9.0	23,490.0	5.1	108.0	1,896.0	5.4
Standard Oil (Ind.)	1,386.0	1,353.0	1,433.0	80.0	(48.0)	8.0	8.0	11,426.0	0.7	12.5	24,289.0	5.9	145.0	3,368.0	4.1
Standard Oil (Ohio)	970.0	900.0	1,010.0	110.0	80.0	7.0	7.0	7,221.0	1.5	14.0	16,016.0	6.3	86.0	3,697.0	2.3
Sun Co.	823.0	775.0	1,010.0	235.0	353.0	8.0	7.5	5,192.0	4.5	19.5	12,019.0	8.4	87.0	1,005.0	8.0
Texaco	767.0	704.0	1,173.0	469.0	398.0	9.8	8.8	14,226.0	3.3	8.2	27,114.0	4.3	177.0	1,855.0	8.6
Texas Instruments	196.5	172.9	338.7	165.8	161.8	6.0	6.0	1,360.8	12.2	24.9	2,631.4	12.9	47.7	235.7	16.8
Tenneco	743.0	662.0	696.0	34.0	7.0	7.2	7.0	5,474.0	0.6	12.7	17,378.0	4.0	101.0	1,533.0	6.2
TRW	953.5	879.0	1,136.1	257.1	102.3	8.5	8.5	1,519.5	16.9	74.8	3,124.8	36.4	107.8	329.9	24.6
Union Carbide	1,304.0	1,206.0	1,732.0	526.0	444.0	10.0	9.0	5,159.0	10.2	33.6	10,616.0	16.3	177.0	459.0	27.8
Union Oil of Calif.	624.3	593.2	714.2	121.0	66.6	7.0	7.0	4,745.1	2.5	15.1	8,511.3	8.4	56.8	1,371.2	4.0
Union Pacific	194.7	194.7	218.5	23.8	63.2	7.0	7.0	3,888.0	0.6	5.6	9,999.0	2.2	27.0	1,044.9	2.5
United Brands	219.1	200.5	215.3	14.8	33.2	8.7	8.0	568.2	2.6	37.9	1,265.3	17.0	16.6	39.1	29.8
U.S. Steel	6,799.0	6,384.0	7,239.0	855.0	139.0	10.0	10.0	6,468.0	13.2	111.9	19,432.0	37.3	307.0	403.0	43.2
United Technology	2,111.6	1,972.1	2,855.8	883.7	620.0	7.8	7.3	3,481.8	25.4	82.0	7,993.4	35.7	200.1	869.6	18.7
Warner Communications	46.4	40.9	64.3	23.4	23.9	8.0	8.0	1,396.0	1.7	4.6	3,186.4	2.0	7.7	447.0	1.7
Western Electric[9]	—	—	—	—	—	—	—	—	—	—	—	—	493.1	1,220.4	28.8
Westinghouse Electric	3,209.3	2,817.2	2,715.2	(102.0)	(289.4)	8.3	8.3	3,175.0	(3.2)	85.5	8,427.3	32.2	152.0	523.8	22.5
Weyerhaeuser	418.0	396.6	470.8	74.2	122.8	9.5	9.5	3,084.9	2.4	15.3	5,924.4	7.9	46.6	179.3	20.6
Xerox	901.7	889.2	943.2	54.0	40.0	8.0	7.0	3,724.3	1.4	25.3	7,667.7	12.3	163.8	819.1	16.7

Vested funding status as a percentage of net worth:
A comparison of the vested funding status, either positive or negative, to a company's net worth. A negative figure shows the amount by which net worth is reduced if unfunded liabilities are taken into consideration.

Corporate assets:
The value of all corporate assets, as shown on the balance sheet.

Pension expense:
The amount charged against income to fund benefit payments in a given year.

[1]Includes assets the company owes but has not contributed to the plan
[2]American Home Products' entire plan is insured with Metropolitan Life Insurance Co.
[3]Includes Canadian or overseas plans
[4]Asset level not available in the annual report; assets taken from *Pensions & Investment Age*'s annual fund profiles, Jan. 24
[5]Occidental has since terminated three of its plans and one Cities Service plan
[6]Procter & Gamble has a profit-sharing plan and no defined benefit plan
[7]Western Electric's plan is part of the consolidated AT&T plan
m Pension statistics as percentages of either a negative net income or negative operating profit are meaningless

The largest increases in vested funding status

Company	Change in status from 1981 to 1982 ($ millions)
General Motors	921.5
Du Pont	873.0
Ford Motor	830.0
U.S. Steel	716.0

The largest declines in vested funding status

Company	Change in status from 1981 to 1982 ($ millions)
General Electric	–616.8
Bethlehem Steel	–548.0
LTV	–127.7
Sun	–118.0

Pensions and finances . . .

Continued from page 13

ing to Larry Litton, an aerospace analyst for Drexel Burnham. The data are "insignificant in magnitude to alter the course" of the companies Mr. Litton watches.

Boeing Co. had difficulty in the recent recession. As a result, its pension expense is almost half as much as its adjusted operating income. Mr. Litton considers this an anomaly. If it persisted, however, he conceded he would look at it more closely.

Boeing's problem in meeting fund payments is short term, he said. "You are looking at a company whose revenues, if the economy comes back, are going to double" and pension expense will become an insignificant percentage of it.

Boeing's $210 million pension expense was 48.4% of its operating income plus pension expense in 1982. The company's plan, however, is overfunded: assets exceeded liabilities by $689 million in 1982 and amounted to 24.5% of its net worth.

United Technologies Corp., another aerospace company, had much lower pension expense: 18.7% of operating income. Overfunding in its plan closely matched Boeing's at 25.4% of net worth.

Pension expense is below that for other companies, and makes up a minuscule portion of adjusted operating income. Amerada Hess had a $5.7 million pension expense in 1982, less than 1% of adjusted operating income. Standard Oil of Ohio's $86 million pension expense was about 2.3%. Kerr-McGee Corp., also an oil company, had $11.1 million in pension expense in 1982, 2.6% of its adjusted operating income.

Service and food conglomerates, whose workers tend not to be organized, generally also rank among the lowest: Consolidated Foods Corp.'s $28.7 million pension expense is 8.8% of adjusted operating income; General Mills' $39.5 million pension expense, 7.6%; and Pepsico's $44.3 million pension expense, 6.4%.

Characteristically, pension expense in autos and steel fell on the high side, but other depressed companies were on top: Deere & Co. had a $118 million pension expense, 78.4% of adjusted operating income; Chrysler Corp.'s $271.7 million expense, 76%; American Can Co.'s $76.4 million expense, 57.5%; McDonnell Douglas Corp.'s $195.7 million, 45.9%; and U.S. Steel's $307 million expense, 43.2%.

Several analysts pointed out the problem in comparing pension expense with operating income. Although pension expense is steady from one year to the next, operating income jumps around. "Your denominator is distorted," said Mr. Litton, using Boeing as an example. Its pension expense constituted 48.4% of adjusted operating income in 1982, and 30.3% of adjusted operating income in 1981.

International Paper Co. is another example of this phenomenon. Its $29 million pension expense was relatively low, but constituted 136.2% of 1982 operating income.

But when business is down, pension expense can be one more claim on scarce cash and a drag on recovery, said Mr. Driermeyer.

The statistics also indicated a number of trends.

Several companies' vested funding status changed substantially in 1982; most improved. In some cases, this was a result of an increase in the assumed interest rate, which reduced the present value of the liabilities.

Du Pont's improved by $873 million, to $2.876 billion in 1982 from $2.003 billion in 1981. Ford Motor went up $830 million, to $170 million from –$660 million; U.S. Steel improved $716 million, reaching $855 million in 1982; IBM Corp.'s went to $1.642 billion in 1982, from $997 million in 1981; Eastman Kodak Co. improved $619 million.

Some did see big declines. Bethlehem Steel's vested funding status dropped $548 million to –$830 million in 1982 from –$282 million in 1981. General Electric's dropped $616.8 million, to a surplus of $152.2 million in 1982.

The billion-dollar pension plans of many of the older corporations have grown substantially as the companies have grown, and often the plans' assets are a large percentage of corporate assets.

Aerospace companies ranked among those with pension assets rivaling corporate assets. Larry Baker, who follows aerospace companies for E.F. Hutton, explained some have plants that are government owned and aren't included in corporate assets.

Bethlehem Steel's $2.3 billion plan assets equal 50.4% of its $4.6 billion corporate assets; General Dynamics Corp., 49.1% of its $2.6 billion corporate assets; McDonnell Douglas, 43.3% of $4.6 billion assets; General Electric, 40.2% of its $21.6 billion assets; Firestone, 37.5% of its $2.7 billion assets; U.S. Steel, 37.3% of its $19.4 billion assets; and TRW, 36.4% of its $3.1 billion assets. ■

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